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**UNIVERSITY OF  
PLYMOUTH**

**AN ANALYSIS OF THE COUNTRY-OF-ORIGIN EFFECT ON THE  
HRM POLICIES AND PRACTICES OF FINNISH MNCs  
OPERATING IN ITALY**

by

**ROSSANA GUTTILLA**

A thesis submitted to the University of Plymouth  
in partial fulfilment for the degree of

**DOCTOR OF PHILOSOPHY**

Faculty of Business

**November 2014**

## DEDICATION

*To Salvo, my beloved late brother, who always encouraged me to write (sorry this is not the novel you expected!!!)*

*To my husband, for wanting this PhD even more than I did and for always believing I could do it.*

*To my children, hoping that even though you'll probably never read this, you will still learn something invaluable from it: "never give up on things".*

## **ABSTRACT**

**ROSSANA GUTTILLA**

### **AN ANALYSIS OF THE COUNTRY-OF-ORIGIN EFFECT ON THE HRM POLICIES AND PRACTICES OF FINNISH MNCs OPERATING IN ITALY**

There is considerable debate in the literature as to the determinants of human resource policies and practices of foreign subsidiaries. Are these representatives of global emerging best practices and pointing to a convergence of Human Resource Management systems? Are they shaped by the cultural and institutional constraints of the host country? Or are they subject to country-of-origin effect?

This study makes a significant contribution by examining the role of country-of-origin effect in the Italian subsidiaries of Finnish Multinational Corporations (MNCs); with the aim of exploring if and how it manifests itself and what are the main factors that strengthen or moderate this effect. Its originality lies in the approach, which takes into account both the cultural and institutional backgrounds of the studied countries.

A questionnaire (adaptation of the CRANET questionnaire) was sent to all Finnish subsidiaries in Italy and survey data was complemented by four mini case studies.

Findings have confirmed the presence of a marked country-of-origin effect in many HR areas (e.g. use of written strategies; selection; T&D) with a localised approach being used in other areas (e.g. Pay and Benefits; E.R. and flexibility) and an ‘integrated’ approach in the case of Appraisals. It has also emerged that a high degree of control is exerted by the Parent Company on the management of strategic employees while management of lower-level employees is entirely delegated to local managing directors, pointing towards a ‘dual’, mainly polycentric or regiocentric internationalisation strategy. Nevertheless internationalisation strategy per se is not sufficient in explaining why some less strategic areas of HR were found to also be subject to country-of-origin effect.

When exploring the elements that influence this effect; factors identified by previous theoretical models have been confirmed and it has emerged that, in the case of countries characterised by great cultural and institutional distance, the relational context (and perception gaps in particular) may play a vital role in moderating the amount of control and autonomy exerted by HQs and host country managers respectively and hence will also influence the amount of similarity of local HR practices to the Parent Country’s.

No indication of either final or directional convergence has been observed.

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## LIST OF ABBREVIATIONS

CB = Collective Bargaining  
CIPD = Chartered Institute of Personnel and Development  
CME/CMEs = Coordinated Market Economy/Coordinated Market Economies  
c-o-o= Country-of-origin (effect)  
CS = Case Study  
E.R. = Employee Relations  
EU = European Union  
FWAs = Flexible Working Arrangements  
GI-LR = Global Integration- Local responsiveness  
HC = Host Country  
HCNs = Host-Country Nationals  
HPWS = High Performance Work Systems  
HQs = Headquarters  
HR = Human Resources  
HRM = Human Resource Management  
I.R. = Industrial Relations  
I-C = Individualism-Collectivism  
IHRM= International Human Resource Management  
IN-DI = Integration-Differentiation  
LME/LMEs= Liberal Market Economy/Liberal Market Economies  
LTO = Long Term Orientation  
MD/MDs = Managing Director(s)  
M-F = Masculinity- Femininity  
MME/MMEs = Mixed Market Economy/Mixed Market Economies  
MNC/MNCs = Multinational Corporation/ Multinational Corporations - the word corporation will be used as a synonymous of the words “company”, “firm” or “enterprise  
NBSs = National Business Systems  
PC = Parent Country  
PCNs = Parent-Country Nationals  
PD = Power Distance  
PM = Personnel Management  
PMs = Personnel Managers  
R&S = Recruitment and Selection  
SHRM = Strategic Human Resource Management  
SIHRM = Strategic International Human Resource Management  
SOEs = State Owned Enterprises  
STO = Short Term Orientation  
T&D = Training and Development  
TCNs = Third-Country Nationals  
TU/TUs= Trade Union(s)  
UA = Uncertainty Avoidance  
VET = Vocational Educational Training  
VoC = Variety of Capitalism  
WCs =Work Councils

## **ACKNOWLEDGEMENTS**

I would like to express my sincere gratitude to all my colleagues of the HR and Leadership group for their constant support and encouragement (with a special mention to Beryl, Shee, Sue, Ginny, Smita, Ian, Jasmine and Chris). A special thanks to my Director of Studies, Mike Leat, for kindly offering his instrumental advice throughout the course of this thesis but also for always believing that I would have finished it one day (and for his patience of course!).

My gratitude also goes to all the kind friends who helped with childcare during summers...and weekends... and after-school (I guess I have used up all of my tokens!); with a special mention to Francesca; Marie; Helen; Carla and Alberto; Rocio and Pablo.

Last but not least, my deepest appreciation goes to my family for their invaluable support: to my husband for his encouragement and help and to my beloved children for coping with a busy and occasionally absent mum.

## AUTHOR'S DECLARATION

At no time during the registration for the degree of Doctor of Philosophy has the author been registered for any other University award without prior agreement of the Doctoral College Quality Sub-Committee.

Work submitted for this research degree at the University of Plymouth has not formed part of any other degree either at the University of Plymouth or at another establishment.

This study was financed by the University of Plymouth.

Presentations at Conferences:

**Guttilla, R.** (2007) "HRM policies and practices in a Finnish MNC operating in Italy: How has the global/local dilemma been handled?" Proceedings of the Plymouth Postgraduate Symposium, March 2007, University of Plymouth, Plymouth, UK, pp. 212-224

Word count of main body of thesis: 89.254

Signed:

A handwritten signature in black ink, appearing to read 'R. Guttilla', with a long horizontal flourish extending to the right.

Date: 17/11/2014

# INTRODUCTION

In this chapter an overview of the PhD will be given, starting with the research rationale and the research aims and objectives and explaining where the motivation and idea to explore the chosen topic came from. A brief overview of the research approach and methods used as well as a summary of the structure of the thesis will also be provided.

## 1. Research Rationale

In the “globalised” arena firms are confronted by in the twenty-first century, research into the complexities of managing a “global” workforce in a “globalised” playing field has been booming. Much of this research has examined the way Multinational Corporations (MNCs) behave in their foreign operations in relations to the HR policies and practices they implement on the one hand, and to how well these policies and practices suit the Host Country (HC) on the other hand.

A recurring theme in the literature has been the analysis of the tension between the competing demands for global integration of the MNC strategy and structure and need to be locally responsive (Bartlett and Ghoshal, 1989; Rosenzweig and Nohria, 1994; Sparrow and Hilthrop, 1994; Schuler et al, 2002). Most works have recognised the importance of fundamental factors that shape a MNC’s HR strategy, such as differences in national culture in institutional context (Hofstede, 1980; Ferner and Quintanilla, 1998; Trompenaars and Hampden-Turner, 1997) and have built these factors into their research paradigms. But, while “culturalist” researchers have looked predominantly at the force exercised by national cultures (Hofstede, 1980; Huang, 2002a; Newman and Nollen, 1996; Ngo et al., 1998; Tayeb, 2001; Trompenaars and Hampden-Turner, 1997)

and “institutionalists” at the undeniable effect of institutional contexts (Whitley, 2002), few studies have taken both sets of factors into consideration.

A fundamental issue concerning the behaviour of MNCs is the extent to which they replicate abroad the HR systems that originated /were used in their domestic operations. Despite the many attempts made, some of the most crucial questions, such as: a) How much of their ‘home-grown HR practices’ do MNCs bring to other Countries? b) To what extent is the Country-of-origin effect still visible and identifiable in subsidiaries’ HRM? c) What is the relationship between cultural/institutional distance and “country-of-origin effect”? d) Is there any evidence of convergence towards “Universal models of Best Practice”? are still unanswered, hence object for discussion.

One might be led to think that in the ‘borderless world’ we are living in, where MNCs disengage themselves more and more from national constraints (Ohmae, 1990) a ‘country-of-origin’ effect may not be visible. The counter-argument is that MNCs are born as local organisations before internationalising and would have been subject to the contextual pressures of HQs’ economic (as well as cultural and institutional) backgrounds, hence their behaviour will be ‘strongly colored by their national origins’ (Ferner et al., 2001:107).

A few scholars have explored the concept of ‘country-of-origin’ effect; with some researchers finding strong or weak support for it (see chapter 1). Evidence is still inconclusive. Moreover, the reasons behind such variation of approaches are still unclear and very few studies have focused on linking country-of-origin effect with both institutional and cultural differences between the Parent Country (PC) and the HC.

More empirical studies are needed to investigate these issues. In order to add to existing literature, it is advantageous if these studies are undertaken in Countries that have been often neglected by the main research strand.

In this thesis the author will contribute to the existing body of knowledge by tackling these questions, adopting a research paradigm that takes into account both cultural and institutional variations and choosing as the focus of analysis two countries that belong to the “neglected” group of European countries (Italy and Finland).

## **2. Aims of the study**

International and Comparative HRM has acquired greater importance since the realisation that good HRM are key to higher organisational performance (Beer et al., 1984; Fombrun et al., 1984; Nohria and Ghoshal, 1994; Sparrow and Hiltrop, 1994; Caligiuri and Stroh, 1995) and since the globalisation of business has called for a more “globalised” approach to the management of HR. Prior research published in the last three decades has tried to understand how MNCs choose their HR policies and practices with an aim to create a model that takes into account the strategic reasoning and all other factors that might determine these choices, with some models that try evaluate how successful these are in terms of firms’ performance. In order to explain why/how MNCs decide on HR policy implementation a number of frameworks have been generated (e.g. Schuler et al, 2002; Budhwar and Debrah, 2001) and a number of factors have been discussed, including the cultural and institutional profiles of Parent Company (PC) and Host Country (HC). Although, as will be detailed in the literature review, there is considerable research on the subject, few studies have tried to analyse the modus operandi of a MNC in terms of its use of HRM policies and practices with the aid of both cultural and institutional paradigms. Also, very few research studies have focused

on international and comparative HRM in Italy and Finland. Moreover, to the present date, there is inconclusive evidence both in the ‘country-of-origin effect’ literature and in the “Convergence” debate (Brewster et al., 2004); the presence of more studies would help to shed light to the current “foggy picture”.

The aims of the present research can be summed up as follows:

- a) Analyse/explain the behaviour of MNCs when they operate in a country belonging to different cultural and institutional clusters (Finnish MNCs in Italy);
- b) Identify the presence of a Country-of-origin effect: how do home-country cultural and institutional profiles influence the choice of HR policies and practices in the HC?
- c) Analyse factors that facilitate or hinder the transfer of country-of-origin policies and practices into their subsidiaries;
- d) Identify a potential Convergence towards universal models of best practice (Jain et al., 1998, McDonough, 2003)

The above aims lead to the formulation of a further main aim:

- e) Make a theoretical contribution:
  - i. an understanding of factors that shape the country-of-origin effect will lead to theoretical formulation that expands current knowledge of the topic
  - ii. by responding to a need to provide studies where both a cultural and an institutional paradigm of analysis are taken into account in the research design
  - iii. new case studies on nations that are not generally too well explored will enrich current literature on European HRM.



On the whole, this study will contribute to the International and Comparative HRM literature by: a) providing an in-depth comparison, based on secondary data and literature review, on two ‘under-explored’ European countries; b) shedding more light on the “country-of-origin effect” and the “Convergence” debates, by adding another piece to the big puzzle so that it might become clearer to identify emerging trends.

### **3. Motivation for studying the ‘country-of-origin’ effect and behind the choice of countries.**

My interest in the topic area began in 2001 when I studied towards my HRM Master’s degree in Trieste (Italy) and, as part of a compulsory working placement, I worked for 6 months in the Recruitment and Selection (R&S) department of a large Finnish MNC operating in Italy.

The subsidiary had only recently been acquired by the Finns and its HR policies and practices were being reviewed at the request of the HQs. During those months I had the opportunity of observing how different the management styles of the two countries were and how different was their notion and application of HRM principles.

This stimulated my curiosity and encouraged me to explore the area of IHRM with a desire to find out more about countries’ differences (cultural and institutional) and to understand if what I had observed was just an isolated case or whether there was a pattern in the way Finnish MNCs manage their subsidiaries in Italy. In the case I observed, the effect of the country-of-origin was pervasive and the HQs were quite controlling. I wanted to find out whether this was always the case and if it could be a conditioning of cultural and institutional differences between the two countries.

After familiarising myself with the IHRM literature, another question emerged: could it be that the country-of-origin effect was being replaced by a ‘best practice’ effect,

indicating a possible convergence? These reflections informed the formulation of my research proposal –initially- and, later, of the PhD dissertation.

Finland and Italy were not chosen just because of personal curiosity, they are often classed in different clusters both in the cultural (Hofstede, 1980; Trompenaars and Humpden Turner, 2000; Hall and Hall, 1990) and in the institutional literature (Whitley, 2002; Hall and Soskice, 2001; Hyman, 2004) and their application of HR policies and practices is also quite dissimilar (CRANET, 2005, 2011); hence a country-of-origin effect would have been more easily discernible.

Finland and Italy also considerably differ from the Anglo-Saxon: a) low Power Distance (PD); low Uncertainty Avoidance (UA) and Short-Term orientation (Hofstede, 2001) culture; b) high de-regulated Liberal Market Economy (Albert, 1991; Hyman, 2004; Whitley, 2000; Halls and Soskice, 2001) and c) general HRM systems (Filella, 1991; Crouch, 1993; Calori and de Woot, 1994; Brewster, 1995; CRANET, 2005). This should facilitate the identification of ‘convergent/best’ HRM policies and practices.

Finally, these two countries are not often looked at by international researchers, which made the study more challenging and more useful at the same time. Italian being the researcher’s mother tongue, literature from local journals could also be consulted, to provide a richer depiction than the scarce one that comes from the international press.

#### **4. Methods of analysis**

In order to investigate the areas highlighted above, the researcher made use of both secondary and primary data. Secondary data proceed from the CRANET survey (2005,

2009) and from a wide range of international and local HR journals (these formed the basis for the formulation of the research propositions/expectations).

Primary data were collected in the Italian subsidiaries of Finnish MNCs through: a) a telephonic/online survey that used an adaptation of the questionnaire designed by the CRANET team; and b) four mini case studies, where managers responsible for HRM, both at local and corporate HQs, were interviewed and company documentation and history was looked at. Questionnaire data was analysed with the aid of SPSS and descriptive statistics, while interviews were analysed with the help of NVivo and were interpreted through thematic and narrative analysis.

## **5. Structure of the thesis**

There are three main parts to this thesis (see Figure 1.0):

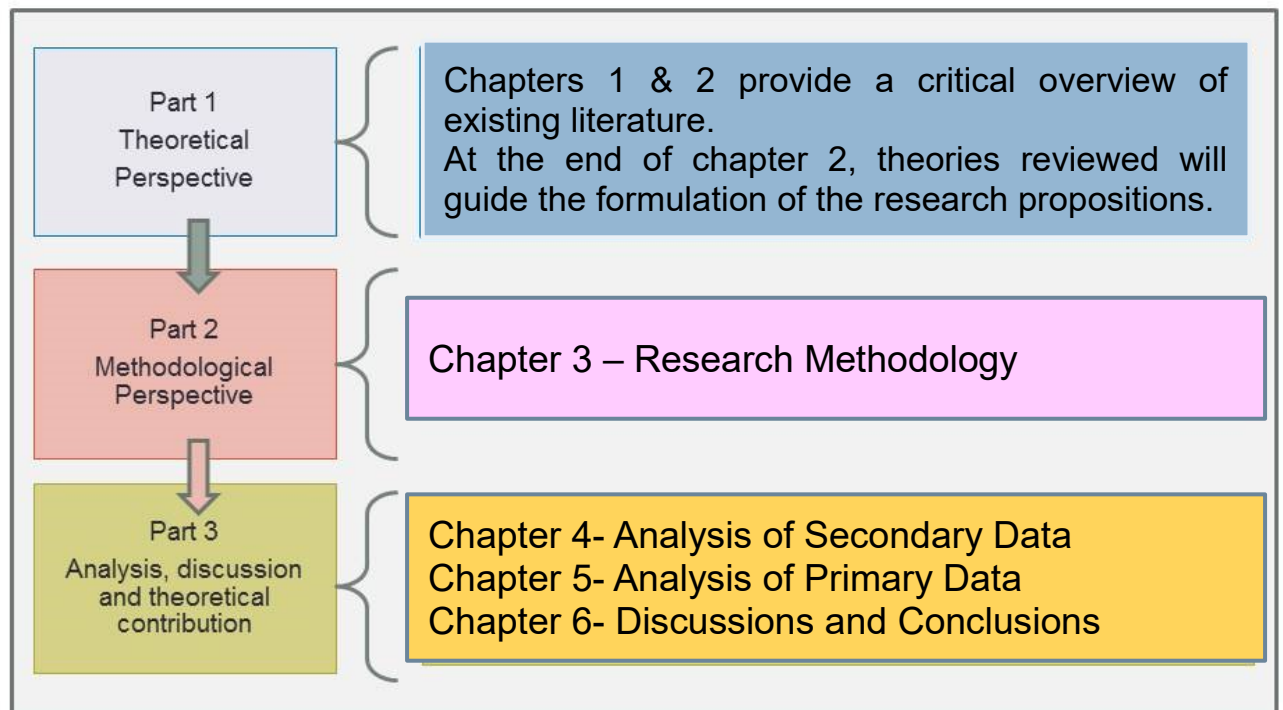
PART 1- Chapters 1 and 2 provide a critical overview of existing literature and summarise some of the most salient points that emerged in the literature review. At the end of chapter 2, theories reviewed in both chapter 1 and 2 will be summarised and will guide the formulation of the study research propositions.

PART 2 - Chapter 3 discusses issues related to research philosophy and evaluates different paradigms of analysis; providing an overview and justification of the research design and of the methodology and research instruments used.

PART 3- Chapter 4 and 5 provide an analysis of secondary and primary data respectively; Chapter 6 provides a comprehensive discussion of findings and concludes the thesis by identifying its unique contribution to the body of knowledge.

## STRUCTURE OF THE THESIS

Figure 1 - Structure of the Thesis



# CHAPTER 1 - LITERATURE REVIEW - THE CONTROVERSIAL TERRAIN OF IHRM AND THE COUNTRY-OF-ORIGIN EFFECT

## 1. Introduction: defining the terrain

In order to understand the logic of the International Human Resource Management (IHRM) strategies (where IHRM is defined as HRM in MNCs) and fully grasp the meaning of country-of-origin effect, we need to be familiar with the main actors involved: MNCs. MNCs are defined as “*enterprises which in more than one country own or control production or service facilities and activities that add value*” (Leat and Woolley, 1999). For scope of simplicity, in this thesis, the term “MNCs” will be used to include Multinational organisations operating multinationally, internationally, transnationally and globally, elsewhere referred to as multinational, international, transnational and global respectively (differences between typologies of MNCs will be discussed in 1.2.1). It also needs to be made clear that, while it is recognised that in several Countries there is no such form of ownership equivalent to the “corporation” - which is of American origins and from which the definition originated (Briscoe and Schuler, 2004) - MNC will be preferred to MNE (Multinational Enterprise) as it appears to be more widely used.

MNCs are thought to be the result of the phenomenon of ‘globalisation’, metaphorically defined by Mendenhall et al. (2003) as the “managerial elephant” of the twenty-first century. Here the elephant stands as a symbol of “an unequalled experience, an adventure of a lifetime, or a particularly dangerous situation” (p. 261). The managerial elephant has in fact undermined the grounds of traditional business, imposing new rules that, as yet, are still “vague, unstable, counterintuitive, and full of exceptions” (ibidem) and has been seen as one of the prime drivers of globalisation. In their analysis, Briscoe

and Schuler (2004:19) define the situation that MNCs are now finding themselves in, as “permanent white waters”, a metaphor borrowed from Mendenhall and Oddou (1995), that gives a feel of how fast and un-catchable are the rapids of IHRM. MNCs are particularly important agents in diffusing best managerial practices globally (Bartlett and Ghoshal, 1989).

IHRM is still a young discipline, and although progress has been made, many of the underlying questions about its essence still remain unanswered. It is still not very clear, despite years of research efforts, how MNCs go about co-ordinating and controlling their overseas operations; how is the relationship between the corporate headquarters and the various subsidiaries established; how they try balancing global and local pressures and how forces calling for integration and differentiation at the same time affect the choice and implementation of the MNC’s HR system in its foreign subsidiaries.

In this globalised context, what happens to HRM? How has the study and application of HR changed as a consequence of the globalisation of business? How do MNCs cope with the different cultural values and institutional backgrounds of all the Countries they operate in? Can HR practices used at home be successfully ‘exported/transferred’ to other contexts? Are there any traces of the country-of-origin of the MNC in their modus operandi in their foreign subsidiaries? These questions have shaped the current study and will form the basis of the following literature review.

## 1.2. The parent-subsidiary relationship

*“In order to build, maintain and develop their cultural identity, multinational organisations need to strive for consistency in their ways of managing people on a worldwide basis.*

*Yet, in order to be effective locally, they also need to adapt those ways to the specific cultural requirements of different societies.*

*While the global nature of the business may call for increased consistency, the variety of cultural environments may be calling for differentiation”.*

*(Laurent, 1996:91)*

The ‘global versus local’ dichotomy has been subject of discussion for a long time, but has assumed greater importance in the last twenty years in concomitance with the process of globalisation becoming a dominant force in the world’s economy, whereby “the extent to which MNCs localise their HRM practices is apt to have an impact on organisational effectiveness” (Jain et al., 1998: 553). The dilemma lies in that “firms must become *simultaneously* more highly differentiated and more integrated and co-ordinated” (Briscoe and Schuler, 2004:61). On the one hand, the impetus for integration is dictated by the need to create a global organisational culture and to maintain consistency in global operations. If the MNC is capable of easily transferring its ‘organisational best practices’ into foreign operations especially in those cases where local HRM systems are considered inefficient and inappropriate- it might grant itself competitive advantage and might prevent the arousal of a perceived sense of inequity of treatment amongst employees. On the other hand, economic, socio-cultural and institutional realities of the Host Country (HC), as well as Host-Country Nationals’ (HCNs) attitudes, might act as a barrier against the ‘import’ of Parent Country (PC) practices and policies; as well as pulls for greater sensitivity, flexibility and local responsiveness. Not to be forgotten is the fact that the MNC is born as domestic company, with its management systems strongly rooted in its domestic institutional and cultural context (Ferner, 1997) and that, very often, despite strategic considerations that are made, it will also feel the pressure of this embeddedness in the PC. As Ruigrock and Van Tulder (1995) purport, MNCs are not “stateless” organisations, they are rather

rooted in a domestic systems that shape their behaviour in their foreign units (country-of-origin effect).

Balancing the forces for global integration and local adaptation is not simple, as it is a dilemma that rests on a series of concomitant issues such as the amount of centralisation and decentralisation of decision-making and control, the degree of innovation that can be brought in by the HQs versus the degree of retention and adaptation to the local policies, showing sensitivity to local traditions and culture or maintaining internal coherence. Understanding the configuration of strategy and structure in the subsidiaries of MNCs could help understanding of the pillars on which this parent-subsidiary relationship rests.

In the following paragraphs the literature on some of the ‘fundamental dilemmas’ regarding this HQs-subsidiary relationship and the subsequent choice and use of HRM policies and practices in the subsidiaries of MNCs will be reviewed. Factors that are thought to influence HRM systems in the HC will be discussed and the critical international management literature pertaining to this parent-subsidiary relationship will be reviewed.

### **1.2.1. Strategies and Structures of MNCs**

A few scholars (Perlmutter, 1969; Adler and Ghadar, 1980; Bartlett and Ghoshal, 1989, 2004; Harzing, 2000; amongst others) have described ‘typologies’ of MNCs according to the internationalisation strategies that they use, focusing on their approaches to HRM aimed at balancing the global versus local tension.



Professor Howard Perlmutter (1969) was the first to try to identify the parameters that define the degree of multinationality of MNCs and to name the first typologies of MNCs. He purported that factors such as ownership patterns, number of expatriates, investment or distribution of equity by nationality are still not enough to justify the orientation strategies adopted. Attitudes held towards people and resources both in HQs and in the foreign subsidiaries are of vital importance when defining the multinational strategy of a MNC. The different strategic mentalities of MNCs are strictly dependent on what “executives think about doing business around the world” (p.11). Perlmutter used three main variables in his study: the corporate level organizational design, the control mechanisms in place and the human resource practices adopted (Harzing, 2000). He initially identified three states of mind or attitudes, the EPG profile, and later added a fourth one (Heenan & Perlmutter, 1979). These were at the basis of four different typologies of MNCs: the Ethnocentric, the Polycentric, the Geocentric and the Regiocentric.

In the *ethnocentric* MNC a home-country orientation prevails, HQs impose their methods and their conditions of work and implicitly state their superiority over the HC. The underlying philosophy of their actions is that what works in their Countries will surely work anywhere else in the world. HCNs are not trusted and are strictly controlled and directed at all times. Expertise (e.g. research and development and all ‘knowledge activities’) is retained in the PC, and only simple products are manufactured overseas. Perpetuation – recruiting, staffing and development- sees PCNs in key positions as expatriates will be employed to manage the subsidiaries, while HCNs are treated as “second-class” citizens and will be employed to carry out simple routine tasks. HR policies and practices are centralised and imposed from the top and would be (whenever possible) the same ones applied in the HQs. Local culture, needs and preferences are not

taken into account. This has as major benefit the strong internal consistency, co-ordination and control achieved and as a main drawback the lack of appropriate rapport with HCNs, implying incapacity of local adaptation, of sensing and seizing local opportunities. Other major drawbacks of ethnocentricity are associated with the difficulty of managing expatriation (e.g. language and cultural adjustment, dual career-couples, repatriation etc.) and with the preferential treatment reserved to PCNs, who will be trained and promoted to higher positions, while HCNs will be faced with a 'glass-ceiling' and will not be offered much in the way of developmental and growth opportunities.

The *polycentric* organisation maintains a HC attitude; national and cultural differences are recognised and taken into account in the design of the most suitable managerial and working practices. This orientation is diametrically opposed to the ethnocentric one. Here HR policies and practices are determined locally, as it is assumed that locals know best what is most suitable in their nation. Perpetuation is planned at the local level with HCNs, even though positions at HQs remain a prerogative of the PCNs. While the subsidiary of ethnocentric MNCs can be seen as totally instrumental and totally dependent on the PC, the subsidiary of a polycentric MNC will be quasi-independent, very loosely connected to the rest of the group, following a structure very similar to a 'confederation'. This type of structure achieves exactly the opposite results if compared to the ethnocentric form: HQs will enjoy a favourable and productive relationship with the local environment, but at the expenses of integration, internal consistency, centralized co-ordination and control. It is important to stress, though, that despite the high degree of autonomy delegated to the subsidiary, strategic managerial activities are still only carried out centrally at the HQs (e.g. financial planning and control; research and development). Polycentrism is seen as a necessary step in the evolutionary growth-

path of the MNC, as a natural response to the discontent of HCNs and as a way to eliminate costs and problems associated with expatriation. A major risk in this stage is constituted by the relationship between PCNs and HCNs as HQs staff have to learn to trust HC management teams and try to make sure that they embrace the corporate values.

The next stage of development in what Perlmutter defines the “EPG profile” is the *geocentric* approach, here the MNC is world-oriented. Nationality and superiority are not seen as dependent, the aim of this organisation is to recruit the best available talents, disregarding their country of origin. Decision-making happens jointly, as a collaborative effort amongst HQs and the various subsidiaries. Orders, knowledge, expertise and communication flow freely and the standards set as well as the policies and practices observed are both global and local and jointly established. Workers are rewarded for striving for worldwide objectives and not just for local ones. This form should find the right balance between internal consistency and local adaptation, and get round co-ordination and control issues by delegating responsibility and control to each unit and being open to inputs coming from the entire network.

The *regiocentric* organisation is very similar to the geocentric one, but on a smaller scale. Staff are recruited, selected, developed and may move outside their countries, but only within a particular geographic region. There is regional autonomy in decision-making and HR policies and practices are designed to suit the region concerned. Examples of geographic regions might be: Europe, Asia-Pacific, America. This means that organisations adopting this internationalisation approach will be more locally responsive, therefore less corporate integrated, behaving similarly to the polycentric organisation, but on a bigger scale.

Each of the four approaches will present advantages and drawbacks; a detailed examination of these is beyond the scope of our discussion. Suffice to say here that the geocentric approach is usually seen as the ‘ideal-type’ for the many benefits it brings about, most of all in terms of integration and collaboration of the many dispersed units. Trying to determine the EPG profile of a number of MNCs, Perlmutter (1969) noticed that this could be established by looking at product, function and geography. Some functions tend by default to be more ethnocentric than others, e.g. finance, some functions naturally tend to be polycentric, e.g. marketing or HR, but generally speaking all MNCs seem to be dynamic. Companies do not stick to a typology for good; they evolve to facilitate their growth and international expansion (Stopford and Wells, 1972). All MNCs seemed to be “on a route towards geocentrism”, although no organisation had reached a ‘pure geocentric status’ yet (maybe because this is just an ideal-type).

Specific implications of the four international orientations for HR policies and practices are summarised in the table below:

**Table 1 - HR policies and practices associated to Perlmutter's typologies of MNCs**

MNC strategic typology	HR policies and practices
Ethnocentric	<ul style="list-style-type: none"> <li>• Managerial authority is centralised and retained by the HQs. PCNs are employed to manage subsidiaries (often in the form of expatriates)</li> <li>• HCNs recruited to undertake routine tasks</li> <li>• Expatriation and repatriation issues</li> <li>• Training and development activities aimed at managerial (PC) staff, no interest in training and developing HCNe</li> <li>• Promotion opportunities only offered to PCNs (glass-ceiling for HCNs)</li> <li>• General HRM policies replicate the ones used by the HQs</li> </ul>

Polycentric	<ul style="list-style-type: none"> <li>• <i>Partial</i> decentralisation of managerial authority</li> <li>• HC managers will be more responsible for local decision-making (but will have no financial control)</li> <li>• Elimination/reduction of expatriation and repatriation issues</li> <li>• Recruitment of HCNs for local posts</li> <li>• Training and development aimed at locals too</li> <li>• Promotion opportunities offered to HCNs, but no HCN can aspire to a position at HQs!</li> <li>• HRM policies and practices adapted to the local context, e.g: payment systems will be related to local systems; E.R. and voice mechanisms will be respected and accepted</li> <li>• Need to train PCNs and HCNs to interact, possible tensions due to TRUST issues (PCNs need to trust locals when devolving responsibility)</li> <li>• Need to socialise HCNs into corporate values</li> </ul>
Geocentric	<ul style="list-style-type: none"> <li>• Non-hierarchical, flexible organisation</li> <li>• Responsibility/authority devolved to teams of 'mixed' staff</li> <li>• Multi-direction communication and control</li> <li>• Mobility of staff is encouraged and facilitated</li> <li>• Knowledge-sharing throughout the MNC</li> <li>• Virtual team-working</li> <li>• Recruitment ignores national demarcation</li> <li>• Training ignores national demarcation</li> <li>• Emphasis on cross-cultural awareness training</li> <li>• Pay takes into account both international and internal contexts</li> </ul>
Regiocentric	<ul style="list-style-type: none"> <li>• Creation of 'regional-level HQs' that retain control and decision-making</li> <li>• Recruitment, training and pay carried out at regional level</li> </ul>

A great limitation of the above study is that Perlmutter failed to clearly identify and discuss factors that would strategically influence the choice of the approach to follow

(with respect to HR policies and practices), a limitation that has partly been addressed later on by the strategic model of HRM, which will be discussed in section 1.2.3.

Another classification of the typologies of MNCs has been proposed by Bartlett and Ghoshal (1989, 2004). They relate their four typologies to the changing motivations for/the means of internationalisation and identify a gradual evolution of the strategic role played by foreign operations in emerging MNCs (2004:10). Management thinking evolves over time as a function of two key determinants: the need to respond to the strategic challenges proposed by the new business by developing a set of appropriate capabilities, and the company's administrative heritage, their "way of doing things" (Meng Leong and Tiong Tan, 1993: 51). As a number of changes keep occurring in the global scenario, four stages of development might be discerned: the "International mentality", the "Multinational mentality" -later renamed "Multi-domestic" by Bartlett and Beamish (2010), the "Global mentality" and the "Transnational mentality". Bartlett and Ghoshal assert that no particular form is best suited for a specific type of industry or for a given country. The four mentalities were strictly dependent on three variables: (1) configuration of assets and capabilities, (2) role of overseas operations, and (3) development and diffusion of knowledge (Meng Leong and Tiong Tan 1993).

The "International mentality" implies a low consideration of the foreign subsidiary. The latter is seen as a supportive entity, a protection for the company's home market. This is in line with the early stages of Vernon's product life cycle theory, whereby companies at this stage can be considered as still domestic but with some of their competencies assigned to foreign subsidiaries. Decision-making and knowledge are much centralised and in the hands of the PC and decisions are usually made in an "opportunistic or ad hoc manner" (Bartlett and Ghoshal, 2004:11). The 'international strategy' adopted in this

approach is defined as the firm's ability to manage the creation of products and processes in its own PC market to then diffuse technology and innovation to its foreign subsidiaries. This strategy is generally used in cases where there is a recognised centrality of technological forces and of innovation in guaranteeing competitive advantage.

The subsequent phase of Vernon's (1995) product life cycle theory, the phase that sees managers acknowledging the value added by foreign operations and paying more attention to the development of their foreign subsidiaries, corresponds to Bartlett and Ghoshal's "Multinational (later also called multi-domestic) mentality" and to Perlmutter's (1969) polycentric approach. Managers show high sensitiveness and responsiveness to the local environment and adapt their products, strategies and managerial practices to the local circumstances. Knowledge is developed and retained within each individual unit, which becomes self-sufficient. The "worldwide strategy is built on the foundation of the multiple, nationally responsive strategies of the company's worldwide subsidiaries" (p.11) and strategic choices respond to the need of being sensitive to local market needs and opportunities. Subsidiaries are allowed to manage their local units and to develop products and strategies that can respond to local environmental constraints.

A "Global mentality" is the result of the belief in Levitt's theory (1983) arguing that an effective global strategy is the successful practice of product standardisation. The very same product should be produced and sold the same way, everywhere in the world. This is in contradiction with the multinational mind-set as it tries to overcome some of the problems posed by the latter, such as the potential damages caused by a decreased product efficiency once plants focus mainly on providing local market advantages rather

than global ones. This mentality more closely resembles Perlmutter's ethnocentric approach, as power and decision-making are centralised and even research and development are carried out exclusively at HQs. Overseas operations are just seen as implementing tools of PC's strategies (Meng Leong and Tiong Tan, 1993). The aim is to capitalise on scale-intensive manufacturing processes by exporting standardised 'global' products.

The "Transnational mentality" is representative of an organisational form proposed by Bartlett and Ghoshal to circumvent the difficulties posed by the other three organisational forms, which fail to adapt to the multidimensional and dynamic demands of the 'new market economy', as nowadays organisations are compelled to respond simultaneously to the demands for worldwide innovation, local responsiveness and global efficiency. In the authors' words: "The emerging requirement was for companies to become more responsive to local needs while retaining their global efficiency"... "resources and activities are dispersed but specialised, so as to achieve efficiency and flexibility at the same time "(2004:12). Dispersion, specialisation and interdependency are key concepts, knowledge is jointly generated and shared worldwide. As Perlmutter's geocentric form, the transnational organisation is considered an ideal-type for international businesses.

Moreover, as Bartlett and Ghoshal (2004) stated, these are arbitrary classifications, meaning that MNCs are likely to exhibit some of the aspects of various mentalities at the same time and that the relationship between PC and HC evolves over time. To support their stance, they use the example of Japanese companies, which used to successfully adopt a 'global' approach -since their competitive advantage was rooted in a centralised highly profitable system- while, lately, they have had to become more



open to the pressures for local responsiveness and innovation. The reverse is true of European companies, which mainly preferred a multinational approach but have lately had to respond to technological challenges and global-scale economies. A more 'international' approach was taken by US firms, which -in an attempt to diffuse their home-country innovation and technology abroad- were failing to respond to local factors.

Most of the early literature around strategies and structures of MNCs tended to see the relationship between HQs and subsidiaries in 'hierarchical terms'; Hedlund (1986) stressed that if innovations and knowledge have to be diffused across borders and if subsidiaries are seen as source of competitive advantage, managing a MNC cannot be just a matter of governing a hierarchy but rather the art of managing a 'network of relationships', hence the MNC is to be seen more as a 'heterarchy' (not a hierarchy).

The 'heterarchy' concept acknowledges that HQs do not always monopolise strategic decision making and that some subsidiaries may also play a highly strategic role. The first insights provided into the different roles attributed to subsidiaries came from White and Poynter (1984), who identified that different subsidiaries of the same MNC could be playing different roles, enjoy varying degrees of strategic importance and be responsible for different operative functions. But how exactly are subsidiaries attributed different roles is still not entirely clear, with some scholars believing that the roles are 'assigned' by the HQs on the basis of the local capabilities and resources (Bartlett and Ghoshal, 1989) and others arguing that the determining factor is the subsidiary's environment, which heavily influences the HQs' decision (Nohria and Ghoshal, 1997); while others postulate that some subsidiaries have got enough freedom and autonomy to choose their own role (Birkinshaw, 1997).

The different roles played by different subsidiaries are reflective of the fact that different national units have got unique resources and are able to operate with varying degrees of autonomy. In the last 30 years a number of scholars have attempted to provide a classification and description of these roles while trying to identify facets of structure that relate to types of subsidiaries.

### **1.2.2 The different roles played by subsidiaries**

Early researchers started by grouping subsidiaries roles according to the ‘globalisation’ pressure they face, by identifying one role where the pressure was low and two roles when the pressure was high, hence generating a three-type classification (Paterson and Brock, 2002). Examples include Prahalad and Doz (1987) and Jarillo and Martinez (1990). Hereafter a few of the studies analysing subsidiaries’ role will be discussed and some fundamental variables will be identified.

Bartlett and Ghoshal (1989) arrived at their classification by identifying two main dimensions: a) the strategic importance of the local environment (dependent on the potential significance of the subsidiary to the overall strategy and performance of the MNC; e.g. a large market or highly advanced technology), and b) the specific competences of the subsidiary, which “can be in technology, production, marketing or any other area” (p.90). Four main roles emerged from these two dimensions:

- 1) The *strategic leader* (with strong location advantages and strong competences; and high levels of resources and expertise );
- 2) The *implementer* (with weak location advantages and weak competences, closely controlled by the HQs that provide little incentive to develop local skills

and abilities, no access to critical information is granted, a global strategy is preferred);

- 3) The *contributor* (with weak location advantages but strong competences, hence capable of capturing the benefits of certain local facilities/capabilities) and
- 4) The *black hole* (with strong location advantages but weak competences).

The existence of these four roles is consistent with the same authors' transnational view of the MNC, which sees the organisation co-ordinating the internal competences of the firm with the local advantages and the local competences of foreign subsidiaries.

Jarillo and Martinez (1990) following on from the 'Integration-Responsiveness' framework advanced by Prahalad and Doz (1986) and through the study of Spanish subsidiaries presented another classification, based on the interplay of the integration versus localisation (responsiveness) dimensions. They identified three subsidiary types, namely the '*autonomous*' (characterised by high localisation and low integration, isolated from other units and hence autonomous in its value chain activities); the '*receptive*' (characterised by high levels of integration and low levels of localisation, carrying out very few value chain activities -such as marketing, sales and sometimes manufacturing- which are in accordance with/co-ordinated by the PC so that global standardisation can more easily occur); and the '*active*' subsidiary (with both high localisation and integration, performing a large number of value chain activities in close co-operation with other units; here the heaviest use of co-ordination mechanisms is made). The autonomous type can be related to a multinational/multi-domestic/polycentric strategy and little control is exerted by the HQs (Harzing, 1999). The receptive type is subject to more control and can be associated with a

Global/ethnocentric strategy. Finally, the active type is more tightly controlled, enjoys the least autonomy and can be associated with a transnational strategy (Harzing, 1999).

Reviewing Jarillo and Martinez's work, it emerges that one of the four possible combinations of integration and localisation (low and low respectively) has not been contemplated. Taggart (1997), in a study that validates and extends Jarillo and Martinez's, presented a fourth typology (with low integration and low localisation): the '*quiescent*' subsidiary, characterised by very low linkages with the PC and with the rest of the MNC network, with a stable technology but with no capacity for technological development (which is carried out centrally), experiencing a very low level of control from the HQs as it normally knows well the local customers' requirements and the competitors' strategies. The typical quiescent subsidiary operates in a mature product environment, using well-advanced manufacturing processes.

Based on prior research, including Bartlett and Ghoshal (1989), Jarillo and Martinez (1990) and a few others, Birkinshaw and Morrison (1995:732) proposed a new taxonomy with three emerging types of subsidiaries namely: a) the *Local Implementer* (comparable to Jarillo and Martinez's autonomous type and Bartlett and Ghoshal's implementer), with limited geographical scope, mainly the HC, and severely constrained product/value added scope. Its main role is to adapt global products to the needs of the local market, while most other activities are performed globally. These subsidiaries are generally found in MNCs with a multi-domestic strategy (Porter, 1986); b) the *Specialised Contributor* (similar to Jarillo and Martinez's receptive type and Bartlett and Ghoshal's contributor) retains considerable expertise but only performs a narrow set of value adding activities and is subject to a high level of interdependence with other subsidiaries. The pressures are for low responsiveness and high integration,

Porter's global strategy is echoed; and c) the *World Mandate* (similar to Jarillo and Martinez's active type and Bartlett and Ghoshal's strategic leader), this subsidiary is able to achieve "decentralised centralisation" in that it manages to respond to both integration and localisation pressures and integrates activities worldwide, but these are managed from the subsidiary, rather than from the HQs. Similarly to the strategic leader, the subsidiary has high levels of resources and competences, operates in a strategic market, and has worldwide or regional responsibility for a product/entire business.

Birkinshaw and Morrison (1995) tested their model on a sample of 126 subsidiaries across six countries and, although not all the characteristics tested were significantly differentiated throughout the three types, some consistent characteristics with previous frameworks were found. Some limitations that the same authors identified in their review were the failure to encompass Bartlett and Ghoshal's black hole subsidiary, which in their typology might be accounted for by the specialised contributor (in that it has the traits of a low performing world mandate), while Bartlett and Ghoshal's contributor differs from their specialised mandate since it is only found in non-critical markets.

A more recent review of subsidiary types is advanced by Paterson and Brock (2002). Following on from their analysis the present author will attempt to sum up and illustrate some of the most significant contributions in the following paragraphs.

Various researchers have identified different variables/dimensions to explain subsidiary roles. White and Poynter (1984) focused on product and market scope versus value added and market scope; Porter (1986) used two variables, namely co-ordination versus configuration; Bartlett and Ghoshal (1986), as discussed earlier, looked at subsidiaries'

competences and strategic importance; Prahalad and Doz (1987) introduced the dimensions that were lately used by other scholars (e.g. Jarillo and Martinez, 1990 and Taggart, 1997): integration versus responsiveness; Bartlett and Ghoshal (1989) in their seminal work used three main dimensions: adaptation, co-ordination and management of competences; Jarillo and Martinez (1990) focused on integration versus localisation (responsiveness); Birkinshaw and Morrison (1995) looked at autonomy versus integration and Taggart (1997) re-used the integration versus responsiveness dimensions. In a different study, mainly exploring knowledge transfer, Gupta and Govindarajan (1991) provided two more dimensions that assessed knowledge flow versus outflow. Most of the above listed studies provided three or four subsidiary roles, which – although with some differentiation, as in the case of Birkinshaw and Morrison (1995) typology discussed above, do display some significant similarities and equivalence of role. These emerging subsidiary typologies/roles are illustrated in table 2, where the horizontal axe represents the dimensions of responsiveness/localisation/autonomy/knowledge outflow that range from low to high while the vertical axe represents the dimensions of global integration and knowledge in-flow from low to high.

**Table 2- Subsidiary strategy/role types**

Global Integration	high	<ol style="list-style-type: none"> <li>1. Miniature Replica, innovator type (White and Poynter, 1984)</li> <li>2. Pure Global strategy (Porter, 1986)</li> <li>3. Black Hole (Bartlett and Ghoshal, 1986)</li> <li>4. Integrated product strategy (Prahalad and Doz, 1987)</li> <li>5. Global (Bartlett and Ghoshal, 1989)</li> <li>6. Receptive (Jarillo and Martinez, 1990)</li> <li>7. Specialist Contributor (Birkinshaw and Morrison, 1995)</li> <li>8. Receptive (Taggart, 1997)</li> <li>9. Implementor (Gupta and Govindarajan, 1991)</li> </ol>	<ol style="list-style-type: none"> <li>1. Strategic independent (White and Poynter, 1984)</li> <li>2. Complex global strategy (Porter, 1986)</li> <li>3. Strategic Leader (Bartlett and Ghoshal, 1986)</li> <li>4. Multi-focal strategy/matrix organisation (Prahalad and Doz, 1987)</li> <li>5. Transnational (Bartlett and Ghoshal, 1989)</li> <li>6. Active (Jarillo and Martinez, 1990)</li> <li>7. World Mandate (Birkinshaw and Morrison, 1995)</li> <li>8. Active (Taggart, 1997)</li> <li>9. Integrated Player (Gupta and Govindarajan, 1991)</li> </ol>
	low	<ol style="list-style-type: none"> <li>1. Miniature Replica, adaptor type (White and Poynter, 1984)</li> <li>2. X</li> <li>3. Implementer (Bartlett and Ghoshal, 1986)</li> <li>4. x</li> <li>5. International (Bartlett and Ghoshal, 1989)</li> <li>6. X</li> <li>7. X</li> <li>8. Quiescent (Taggart, 1997)</li> <li>9. Local Innovator (Gupta and Govindarajan, 1991)</li> </ol>	<ol style="list-style-type: none"> <li>1. Product Specialist (White and Poynter, 1984)</li> <li>2. Country-centre strategy (Porter, 1986)</li> <li>3. Contributor (Bartlett and Ghoshal, 1986)</li> <li>4. Locally responsive/autonomous subsidiary (Prahalad and Doz, 1987)</li> <li>5. Multinational (Bartlett and Ghoshal, 1989)</li> <li>6. Autonomous (Jarillo and Martinez, 1990)</li> <li>7. Local Implementer (Birkinshaw and Morrison, 1995)</li> <li>8. Autonomous (Taggart, 1997)</li> <li>9. Global Innovator (Gupta and Govindarajan, 1991)</li> </ol>
		low	high
		Local Responsiveness	

To be noted that in the above discussion and table, the terms subsidiary ‘strategy’ and ‘role’ have been used interchangeably. This follows on from Birkinshaw and Morrison (1995), as if it is true that ‘role’ denotes that a function has been assigned to the subsidiary from the top while strategy implies that subsidiary management has got more autonomy and more decision –making power, it is very hard to draw boundaries between the two as they are strictly inter-related, the assumption here being that structure and role will change over time to respond and fit with the overall organisational strategy, as local units have to ‘fit’ with strategies, environment and overall HRM policies (Adler and Ghadar, 1990).

To summarise, the HQs versus subsidiary relation is heavily based on issues of centralisation and formalisation of decision making and on how the portfolio of subsidiaries should be organised so as to maximise their effectiveness and usefulness to the HQs. The above literary excursus also highlights how subsidiaries can have significant autonomy and can influence the MNC’s strategy, although the HQs normally remain vigilant to make sure dispersed units avoid opportunistic behaviours.

In this study, in an attempt to analyse the relationship between HQs and subsidiaries and the relationship between control mechanisms used by the HQs and the role and structure of the subsidiary (which despite the many research studies is still quite ambiguous) and following on from both Hedlund's (1986) 'heterarchy' model, Bartlett and Ghoshal's (1986) transnational form and Birkinshaw and Morrison's (1995) contribution three main inter-related dimensions will be used:

1. Subsidiary's strategic autonomy

2. Control

3. Subsidiary's Specialisation

The level of subsidiary's strategic autonomy can be explored by looking at the level of decision-making that happens locally; in the case of the present dissertation, this will be assessed by gauging at which level in the MNC HR decisions (policies and practices) were made (e.g. in the HQs, locally or regionally). Autonomy is conversely related to control, hence the two constructs will be more thoroughly understood if explored in concomitance.

The amount and mechanisms of control used by the HQs were found to be strictly dependent on the need for integration versus need for responsiveness (Prahalad and Doz, 1987). Scholars have identified differing forms of control, Hedlund's (1986) bureaucratic versus normative control is one of them. In the first type managers' behaviours and performance are more closely directed and monitored (in a hierarchy-style fashion); while in normative (cultural) control, HQs share the MNC's aims and values and ensures that managers are imbued with these and act accordingly. Bartlett and Ghoshal (1989) proposed a similar dichotomy but added a third type of control as they distinguished between formalisation and centralisation (both bureaucratic forms of control) and socialisation (seen as a form of normative control). In this thesis, control



mechanism will be discussed by using a few indicators, as per Harzing and Sorge's (2003) study. The above authors present four main constructs to analyse internationalisation strategies and control in MNCs, one of their constructs is named "control mechanisms" and entails five different types of control:

1. Direct personal control, defined by: a) the amount of centralisation (more specifically, what is the subsidiary's autonomy in deciding its own strategies and policies, mirroring the above strategic autonomy dimension); b) the extent of direct supervision (as direct personal surveillance that management from the HQs execute towards the local unit); and c) expatriate control (based on whether HQs send expatriates to directly control the local operations). This last point is then developed by the authors in a construct per se (expatriation) associated to more quantifiable indicators, such as the actual number of expatriates in the top five jobs in the subsidiary; the number of expatriates currently working in the subsidiary and the nationality of the local managing director; but in the present study this will be considered as integral part of direct personal control.
2. Direct impersonal control, exhibited through: a) standardisation (whether subsidiaries are expected to follow standardised policies imposed by the HQs); and b) formalisation (in the form/type of rules and procedures coming from the HQs and whether subsidiaries are expected to follow them accurately).
3. Indirect Impersonal Control, manifesting itself through: a) output evaluation (an important distinction can be made between continuous evaluation of results on the part of the HQs versus occasional assessment of financial reports), and b) planning (which can be very detailed, with clear quantifiable objectives and budgeting, or less developed and 'loose').
4. Indirect personal control, defined by: a) specialisation (here seen as the sharing of corporate culture and values); b) informal communication and c) international

management training (through courses aimed at transferring firm specific knowledge, here it is useful to look at participation of local managers in any such initiatives).

A tighter/ more bureaucratic control corresponds to a greater integration of the local activities with those of the MNCs, while a looser/normative control is representative of greater responsiveness as more autonomy is granted from the PC to HC management.

Finally, the extent of subsidiary's specialisation refers to any specialised 'upstream' (such as R&D and manufacturing) and 'downstream' (such as marketing and sales) activities it might perform. Hence subsidiaries' relative capabilities for the four above activities will be investigated. It is worth noting here that one of the acknowledged limitations of Birkinshaw and Morrison's study (1995) was the lack of significant differences in the reporting of individual capabilities on the part of the subsidiaries under scrutiny; the above authors hence warn us that self-reporting might lead to them responding on the basis of what is desirable rather than what is real.

A few issues and limitations that have also emerged from the above review of existing studies will now be considered.

Most studies have looked at 'aggregate' subsidiary roles, based on the bundling of the MNC value chain activities, therefore failing to "allow for scenarios whereby, for example, a particular subsidiary acts as a strategic leader for sale activities, but is little more than an implementer at the R&D role (or even lacks altogether a role in the innovation area) (Rugman, Verbeke and Yuan, 2011: 256). A subsidiary is likely to perform multiple roles simultaneously, hence "research needs to focus below the subsidiary level, preferably at a single value-adding function" (Birkinshaw and Morrison, 1995:753). Rugman et al. (2011) propose the 'fine-slicing and unbundling' of the value chain activities as well and, using a simplified version of Porter's (1986) list

of activities, provide a list of four main sets: 1) innovation and technological development; 2) production; 3) sales (including logistics and marketing) and 4) administrative function (including HRM). In this thesis the function under scrutiny will be the HRM function.

Another limitation of existing literature is that only very few studies have attempted to relate strategic and structural issues with country-of-origin effect (especially in the area of HRM). Bartlett and Ghoshal (1989) proposed a correlation between the type of control exerted by the HQs and country of origin of the MNC, arguing that while European MNCs prefer to use a 'socialisation' approach and US MNCs prefer a more 'formalised' form of control, Japanese MNCs tend to adopt a 'centralised' line of control. This stance has not found support in later studies (e.g. Birkinshaw and Morrison, 1995) and was later re-considered by the authors themselves as explained earlier (Bartlett and Ghoshal, 2004). Another study - whose authors claimed it to be the first one - that investigates the relationship between country-of-origin and international strategies and control issues is Harzing and Sorge's (2003). In their inquiry the two scholars examine the weight of country-of-origin effect in the choice of internationalisation strategy and control mechanisms in MNCs, comparing this to the weight of other universalistic factors, such as size, age and industrial sector of the MNC. Their findings reveal that "country of origin effect comes forward as one of the most important predictors of multinationals' organisational practices at international level" (p.208). They found that if 'local responsiveness' is more affected by 'universalistically conceived variables' (mainly to the size of the subsidiary), and international strategies are related to industry structure and size (and through these to country of origin), control is first and foremost related to country of origin. Harzing and Sorge (2003) do not provide a 'break-down' or classification of their countries in relation to whether they exerted a stronger or weaker country-of-origin effect, as their study does not focus on

the national country level of analysis, it is rather aimed at assessing whether such effect exists and if it contributes in any way to the convergence versus divergence literature (reviewed in 1.2.6). Hence they do encourage studies with a narrower scope, such as the present research project.

Studies that more specifically focus on HRM and the country-of-origin effect (the focus of the present thesis) will be reviewed in 1.2.5.

Another limitation of the studies discussed above, namely the lack of consideration for another important elements of the HQs –subsidiary relationship: the relational context will be explored in the following paragraph.

### **1.2.3 The relational context between HQs and subsidiaries. Trust and identification**

As Birkinshaw et al. (2000) wrote, all of the ‘labels’ attached to different subsidiary roles are rarely used in the real world, as important ‘perception gaps’ exist because the role of the subsidiary is actually “a negotiated position that is to some degree understood jointly between HQ and subsidiary managers”, where by ‘negotiated’ the authors refer to a “give and take process between the two” (p.324). To understand the complex dynamic of HQ-subsidiary relationship, a few “relational variables” such as perception gaps (deriving from the fact that HQs and subsidiary have different values and worldviews and their perceptions with regards to their respective roles might often be non-aligned); as well as the level of trust and identification that exist between subsidiary and HQs have to be taken into account.

Kostova and Roth (2002) believe that the relational context that links a subsidiary to its HQs becomes particularly significant as it influences the way “pressures from a home

country are interpreted and perceived by a foreign subsidiary” and they go on defining this relational context through three main characteristics: dependence, trust and identity (p.218). Dependence is positively related to adoption of and compliance with PC practices, as it is postulated that if subsidiaries consider themselves as hierarchically dependent on the HQs (hence with little decisional power) they are more likely to comply, although the same authors (in line with Rosenzweig and Singh, 1991) argue that it is also likely that some resistance on the internalisation of the practices ‘exported’ (where internalisation is equated with the level of commitment that the recipient unit- the subsidiary- shows towards the practice itself) will be experienced, as the policies and practices proposed are likely to be seen as ‘coercive’. However their findings on dependence and implementation of practices were mixed and inconclusive. More reliable and strongly supported were their findings related to the other two relational variables, trust and identification.

Trust, as it is intended by Kostova and Roth (2002) is seen in a ‘bottom-up’ relationship, as their focus is on whether subsidiaries trust their PC (and not the other way around). They make use of existing literature (e.g. Szulanski, 1996) to underpin their proposition that a subsidiary will be more willing to implement and internalise a management practice if they trust the HQs, as it will be felt that the PC is making an honest effort to the advantage of the subsidiary, responding to a ‘mimetic’ rather than to a ‘coercive’ pressure (Tsai and Ghoshal, 1998). Kostova and Roth (2002) also cite Zaheer et al. (1998) as they postulated that trust will reduce the cost of communication and negotiation when a managerial practice is transferred from a PC to its subsidiary as it will be more readily accepted. Nhapiet and Ghoshal (1998) confirmed this and added that if trust is at the basis of the HQs (senders) versus subsidiaries (receivers) relationship, both knowledge transfer and exchange will be facilitated. Perlmutter

(1969) had also identified trust as an important ‘intra-organisational’ variable, as “mutual distrust between home country people and foreign executives” together with “linguistic problems & different cultural backgrounds” were seen as obstacles to geocentrism (p.15), although the relation of these variables to a potential country-of-origin effect was not discussed.

In order to appreciate the role played by trust, it is important to define the concept. According to Rousseau et al. (1998:395) “trust is a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another”. Demonstrating a willingness to act based on these expectations is also an essential part of trust, hence Doney et al. (1998) expand the previous definition to encompass the impact trust exerts on people’s actions; here trust becomes “a willingness to rely on another party and to take actions in a circumstance where such action makes one vulnerable to the other party” (p.603). The behaviours of the ‘trustors’ are seen as a response to the expectation of the trustworthiness of a target/trustee. The different mechanisms for trust building are beyond the scope of the present study. Suffice to say here that trust-giving is a cognitive process and as such it will be influenced by cultural tenets, whether and how trust is established depends upon societal norms and values (Hofstede, 2001). Doney et al. (1998), in their study on the influence of national culture on the development of trust, found that when trustors and targets share the same norms and values there will be a greater chance for a trusting relationship to emerge because the direction the targets take to earn trust will be consistent with the route the trustor will follow to establish whether the target is trustworthy. The trust building process might yield less positive results in cases where cultural values and expectations are different, this might mean that establishing trust

between management at the Finnish HQs and local managers in Italy (who don't share the same cultural values) might prove problematic.

Ariño et al. (2001) believe that trust is also rooted in some general knowledge about the cultural context in which the interaction takes place and in the reputation of the parties. Finnish managers might be more or less predisposed to trust the Italian subsidiary managers according to what they think about the Italian culture and reputation (whether justified or not).

In an extension of Birkinshaw et al. (2000) it can be assumed that low trust and high perception gaps about the role the subsidiary is/should be playing are inter-related and will directly influence the amount of control exercised by the HQs. Lack of trust will result in co-operation problems (and greater perception gaps) and will lead to tighter control from the PC. Birkinshaw et al. (2000) refer to this process as a 'vicious circle', that can only be turned into a 'virtuous circle' if more trust and autonomy are allowed to the subsidiary resulting in an increased trust of the local unit in the HQs and a reduction of perception gaps.

A limitation of the approaches discussed above is that they tend to focus on the beliefs about, or characteristics of, the target of trust. An interesting path to explore would be to look at 'bi-directional trust', and how the perception of 'being/not being trusted' might affect the HQs- subsidiary relationship.

Kostova and Roth (2002) final relational variable is 'identification', defined as "the degree to which subsidiary employees experience a state of attachment to the parent" (p.220). They argue that if a subsidiary identifies with the parent, same or similar values

will be shared and employees will be happy to become more ‘isomorphic’ with the PC and adopt the proposed managerial practices.

Edwards et al. (1999) had also postulated that ‘political processes’ within MNCs are inter-related with structural factors and the diffusion of practices from HQs to subsidiaries occurs through a process that they termed “networking within hierarchies” (p.302). This process involves networking between plants under the HQ control and is characterised by mechanisms that facilitate the exchange of information across subsidiaries, and teach ‘the company way’ in an attempt to create a common organisational culture and measure the level of engagement of plant managers during appraisals. Networking would facilitate convergence of best practices across plants within the MNC. Why and how practices are transferred across countries will be discussed in the next paragraph, while in 1.2.5 the focus will shift to the central concept of this thesis, the country-of-origin effect.

#### **1.2.4. Why transfer practices?**

Edwards (2011) provided three categories of explanation when elucidating the reasons behind the transfer of practices across countries and insisted that these have to be considered as part of an integrated approach that would otherwise only provide a partial understanding of the transfer process. The three categories presented are:

1. The ‘market-based’ approach, where practices are transferred with a view to enhance efficiency. This explanation is in line with Bartlett and Ghoshal’s (1998) discussion of the transnational organisation, whose success and competitive edge is based on its ability to share expertise and knowledge within its ‘integrated network’ of plants. This element of competition through knowledge

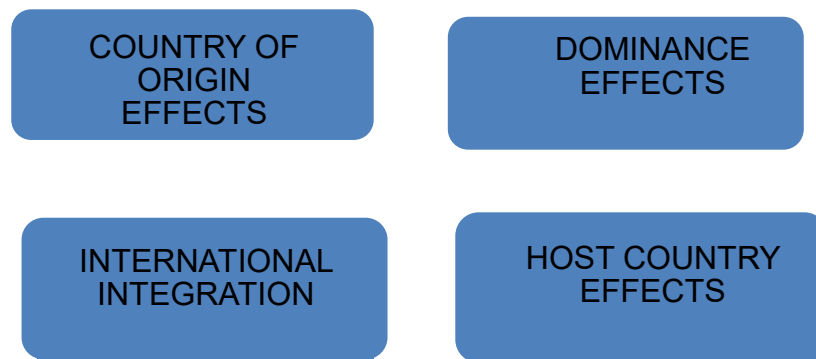


sharing is also incorporated in most models of strategic international human resource management (SIHRM), see 1.3.

2. The ‘cultural’ approach, arguing that transfer is not so much governed by competition and rational choices, but it is rather shaped by the legacy of national culture and has to be sensitive to local conditions. This culturalist approach will be further investigated in 1.2.5 as part of the considerations on the country-of-origin effect (e.g. Ngo et al., 1998) and then in chapter 2 (e.g. Hofstede, 2001; Trompenaars and Hampden-Turner, 1997).
3. The ‘political’ approach “looks at the way that actors in organisations can be willing to engage in the process of transfer as a means of obtaining legitimacy and to advance their own interests” (p.272). Here it is important to look at the attitudes of managers both from the PCs (who might want to give customers an image of a transnational, efficient company) and from the HC (who might want to act as ‘good corporate citizens’ of the MNCs as to enhance their career opportunities).

Both the cultural (that in Edwards’ classification also incorporates elements of the institutional configuration of countries) and the political approach are important contributions of this explanatory model in that they acknowledge that the transfer of practices is not only influenced by a rational, market based approach. For fully understanding this transfer process the three approaches should be used in conjunction, so that commercial interests in transferring the practices (market-based approach); cultural and institutional influences (amended cultural approach) and role of organisational actors (political approach) can all be taken into account. Edwards (2011) combined these three forces in an integrated approach, which he named “the Four Influences framework, as it is based on four sets of influences:

**Table 3 – Edwards’ (2011) Four Influences Framework**



The country-of-origin effect will be discussed in more detail in the next paragraph, suffice to say here that Edwards purports that the influence of the home country does not only stem from sales or concentration of assets, but also from the extent to which MNCs are ‘embedded’ in their country of origin (as per Ruigrok and Van Tulder, 1995; Ferner, 2001; Harzing and Sorge, 2003). He identifies a few sources of this effect in the predominance of PCNs in the management board composition; in the concentration of key activities (e.g. R&D) in the HQs; in the influence exerted by the institutional configuration of the home country (Hall and Soskice, 2001; Almond and Ferner, 2006); and in the persistent influence of nationality in informing practices and behaviour of MNCs (Edwards et al., 2007).

The dominance effect, in this thesis also called ‘Convergence’, stems from the belief that the flow of practices doesn’t necessarily start from the home country, but rather that practices can arise from different locations either from within the MNCs (from subsidiaries to HQs, in what Edwards and Ferner (2004) named a ‘reverse diffusion process’) or from dominant, ‘best practices’ approaches of other MNCs. The convergence stance will be further analysed in 1.2.6.

International integration refers to the extent to which MNCs have created inter-unit linkages across borders. Edwards et al. (2007) in their survey of MNCs in Britain found evidence that country-based structures (especially within Europe) have been often replaced by the emergence of ‘international management structures’, such as an overarching European structure, potentially leading to the development of common Europe-wide policies in HRM. International integration also refers to a more ‘standardised’ approach to operations in different countries (where local units will be carrying out very similar activities); here transferring employment practices might become more feasible and attractive to management. In this dissertation, some final considerations on whether there might be signs of a convergence towards a ‘European model of best practice’ will also be made.

By ‘host country effects’ the author refers to those constraints exerted by the HC that will limit the MNC’s ability to transfer practices, these might be socio-economic conditions (such as the nature of the local labour market and the general economic climate); the existing institutional system (including the system of employment legislation); cultural and social norms (Grimshaw et al., 2011); the knowledge and skills possessed by the local labour force; as well as the power of actors in the HC, who might try to block transfer if they perceive it to go against their interests (Edwards, 2011).

HRM policies and practices that seem to be more affected by the HC, and hence show more similarity to the local ones are benefits (including pay which might be affected by the tightness of the labour market; local inflation rate; equal pay legislation and minimum wage system as well as by accepted norms of fair pay), working times and gender composition of the employees (Rosenzweig and Nohria, 1994; Grimshaw et al., 2011); while executive bonus pay and extent of participation in senior management decision making are not often localised (Rosenzweig and Nohria, 1994).

Edwards and Ferner (2007) also found evidence of ‘partial constraints’, these occur when a practice undergoes a process of ‘transmutation’ as actors in the HC try to make it fit with local models of behaviour and more acceptable according to the mechanisms of power relations (p.64).

The main aim of this thesis is to understand the role of country-of-origin effects in a context where MNCs from Finland operate in Italy -Finland and Italy being countries with different cultural expectations and different institutional characteristics- and also assess whether alongside (or instead of) a country-of-origin effect, evidence of convergence towards dominant models of HRM can be found. Hence the following paragraphs will in turn provide a more in-depth analysis of both the country-of-origin effect and the dominance/convergence stance.

### **1.2.5 The Country-of-origin effect, PC’s versus HC’s influence in MNCs**

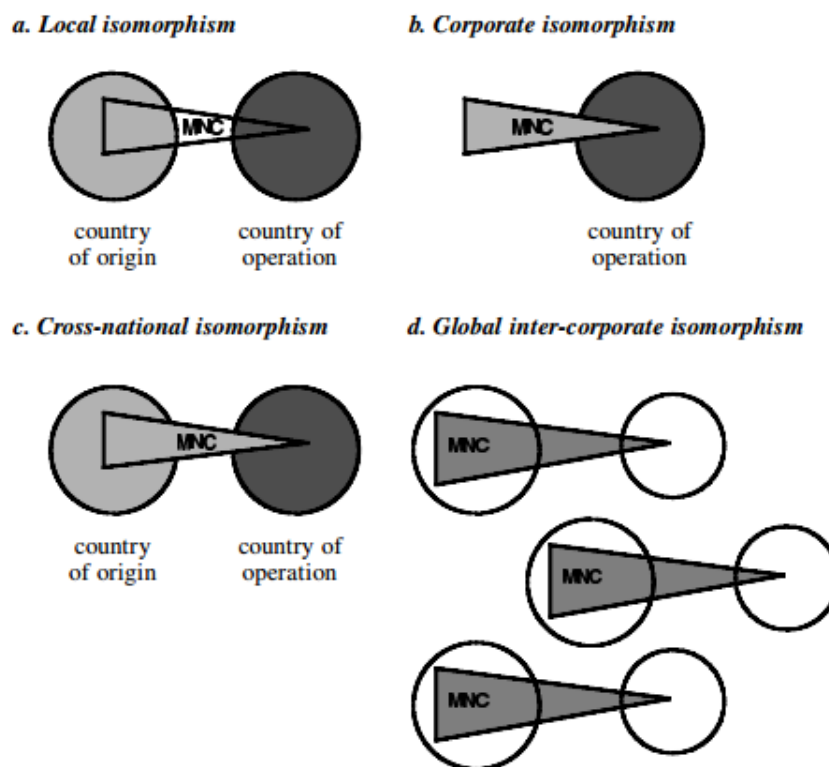
Country-of-origin refers to the country where the MNC ‘was born and grew-up’ and where from it inherited institutional norms and ideological beliefs (Pauly and Reich, 1997; Noorderhaven and Harzing, 2003, 2006). An important assumption here is that **MNCs are born within national boundaries and in the initial period of their life, they behaved like any other local firm, rooted in their national context and hence subject to cultural and institutional constraints that influenced their modus operandi.** In their early stage of development, their responses would have been very similar to other local firms. A second assumption is that **this ‘imprinting’ will be long-lasting**, Pauly and Reich (1997:5) talk about ‘*hysteresis*’, “a lagging effect after a causal force has been removed”. Harzing and Noorderhaven (2006) attribute this lagging effect to ‘corporate inertia’, which is –they argue- an important element to explain organisations’ behaviour.

Other scholars (Ferner 1997; Ferner et al. 2004; Ferner and Quintanilla 1998) have also stressed that it cannot be assumed that MNCs are totally separated from the institutional context of their Home-Countries. The scenario where research takes place has to be widened to take into account factors such as the institutional framework of the MNC's PC, as "the behaviour of MNCs is significantly influenced, directly or indirectly, by country-of-origin NBSs", where NBSs stands for national business systems (Ferner and Quintanilla 1998:715) and the nationality of the PC has a bearing on the issue of corporate isomorphism. Ferner (1994), McGraw (2002) and Harzing and Sorge (2003) go as far as stating that **country-of-origin emerges as one of the most important predictors of both a MNC's internationalisation strategy and its preferred control mechanisms**. Noorderhaven and Harzing (2003: 48) believe that "to the extent to which country-of-origin is significant", MNCs' headquarters cannot properly be regarded as representing "the global" force and the view that "whatever is transferred by the MNC to its subsidiaries can indeed be assumed to be international 'best practice' is significantly questioned. **Far from being stateless organisations...even the most global MNCs still appear to be strongly rooted in their country of origin**", (Harzing and Noorderhaven, 2008:1). A question springs to mind; what and how much of their 'nationality (country-of-origin) do MNCs take with them into their foreign operations for competitive advantage?

It can be said that management will have to balance the pressures from three main "coercive pulls": 1. Local isomorphism (Di Maggio and Powell 1983) or the necessity of adapting to local institutional constraints; 2. Corporate or Organisational Isomorphism (Ferner and Quintanilla 1998, McGraw 2002), as in the case of firms with very strong corporate cultures that super-impose themselves to national cultures, there

might be a higher degree of conformity within the Corporation; 3. Cross-national Isomorphism, when the Parent Company embodies many aspects of its Country of origin and transmits these to the HC operation. Ferner and Quintanilla (1998:711) identified a fourth ‘pull’: the “Global intercorporate isomorphism”, a ‘mimetic’ response that is given when Organisations react more strongly to the isomorphic pressures coming from competitors and create a ‘sui generis’ culture, moulded by the principles of best practice diffused by American and Anglo-Saxon management gurus. See figure 2 below.

Figure 2 - Local and cross-national isomorphism according to Ferner and Quintanilla (1998).



Ultimately, management in MNCs always have the onerous duty of deciding to what extent they want to export their ‘baggage’ of HRM policies and practices in the HC (standardisation) and/or how much of the HC’s local practice they want to follow (localisation).

Pudelko and Harzing (2007) argue that in the globalisation/standardisation versus localisation debate, standardisation would come in two forms: MNCs can standardise their practices either by adopting their PC's practices (giving way to a country-of-origin effect or corporate isomorphism – as above explained) or they can standardise by using a set of recognised best practices (giving way to convergence or global inter-corporate isomorphism), thus responding to 'mimetic' pressures (isomorphism) where HR director espouse dominant models of HRM (Di Maggio and Powell, 1983). Management practices adopted by MNCs would ultimately be the result of the interplay between three main effects: the localisation effect; the country-of-origin effect and the dominance (convergence) effect (Pudelko and Harzing, 2007: 540).

In this section a "dolly shot" of studies will be introduced, with the aim of identifying emerging issues both in terms of research findings and of research proposals related to the value of this 'country-of-origin effect'. More specifically, the argument that the Country-of-origin effect still remains strong (notwithstanding the isomorphic constraints exercised both by the local institutional context and the local cultural background) will be explored. This might seem paradoxical, in an era of pervading globalization but as Ferner and Quintanilla (1998) wrote, "MNCs, far from being 'stateless' organisations operating independent of national borders in some purified realm of economic competition, continue to have their assets, sales, workforce, ownership and control highly concentrated in the country where their corporate headquarters are located" (Ferner and Quintanilla, 1998:710). The capital that the MNCs relies on for investment purposes remains primarily based in its country of origin (Doremus et al., 1998); it is customary that it will be nationals of the MNC's PC to hold more power and exert control on the subsidiary (Ruigrok and Van Tulder, 1995) and despite the declared 'move' towards geocentrism, many MNCs retain their strategic

functions – i.e research and development centres – in their home country (Hirst and Thompson, 1999).

Behavioural trends that have been observed see British MNCs as tending to exercise a high level of control through budgets while being less exportive in their behaviour than US MNCs. The latter are, instead, characterised by their being exportive of high performance work systems (HPWS), while Japanese MNCs have historically had the higher level of expatriates in their foreign subsidiaries as to imply a subtle but strong form of control. MNCs from the developing world seem to be adopting a more ‘polycentric/adaptive approach’ (Thite et al., 2012), this behaviour could be explained either because they might think that practices used in more developed countries are more advanced than their own or because they feel unprepared to manage local cultural/business environments that they are not familiar with. Less is known of the typical traits of the European MNCs, often looked at as a group, besides some research with mostly cultural based approaches, and mainly looking at UK, France, Germany and Ireland. Moreover, most studies have been conducted in different time periods and have chosen to focus on a wide range of policies and practices, making a systematic comparison and the drawing of meaningful conclusions a very arduous task.

In 1987, Purcell et al. (1987) remarked that overseas firms operating in the UK were using different HR practices if compared to the local ones. These were practices aimed at monitoring the Industrial Relations managerial actions and that tried to gain more employee commitment in the workplace. However, foreign-owned subsidiaries did not differ from UK’s as far as TU recognition and pattern of collective bargaining (CB) were concerned. It was hypothesised that the distinctive behaviour was dictated by the HQs and that the policies used had the flavour of the PC. Beaumont et al (1990) and



Guest and Hoque (1996), surveyed 232 subsidiaries of German MNCs and 85 subsidiaries of Japanese, German and other MNCs respectively, all operating in the UK. Although both studies did not find any evidence of stereotypical German HRM policies and practices, it appeared that US MNCs do exercise a stronger influence over HRM systems.

Some years later, Ferner (1997) tried to develop a more analytical framework to examine the ‘country of origin factor’, that seems to him “rarely set within a convincing analytical context” (p.19). After providing a comprehensive literature review, he concluded that all previous studies suggest the existence of systematic differences in the way MNCs from different countries manage their HR. He concluded that **nationality of ownership is a determinant of HR systems**: MNCs not only bring along some of their country of origin’s HR policies and practices into the country of operation but the latter often act as stimuli for the introduction of innovations in the HC’s IR systems. Ferner’s study also accounts for identifying the gaps in the earlier literature as follows: most studies focused on US and Japanese MNCs and grouped European countries into a big cluster to contrast it with the aforementioned two regional groups; it was mostly survey-based works with a very low response rate and very few comparative case; most studies did not look specifically at HR/IR issues but rather focused on expatriation-related issues (Ferner 1997:21). The biggest contribution of this study remains Ferner’s attempt to explain country of origin effect by means of an accurate analysis of the NBS and the national business culture of the country of origin itself. It’s a move away from the most common cultural explanation, a path that will be further investigated in this thesis.

An example of a study based on the assumption that it is the different national cultural traits, in this case Hofstede’s (1980) cultural dimensions, that determine the HR choices

of a MNC comes from Ngo et al. (1998). The authors looked at HR practices of several hundred affiliates from US, UK and Japan firms, as well as local firms, operating in Hong Kong and found support for the hypothesis that HR practices of firms from different home countries do differ as “Country of origin of the MNC is thought to influence which strategy is used to balance the tension between global integration and local responsiveness” (p. 634), since it is the cultural values of the home country that determine how much adaptation will be allowed by top management. Although with some variation from the original hypothesis, their argument that HR systems vary by firm’s country of origin found both theoretical and empirical evidence.

Other Asian studies include: Lawler et al. (1992), Bae et al. (1998) and Huang (2002). Lawler et al. (1992) analysed the differences between Western and Asian (Thai and Japanese) employment practices in Thailand and they all found evidence that the home country of the MNC did have a vital role in shaping the HR practices in the host country. Bae et al. (1998) conducted a study of the HR policies and practices of local and foreign firms (US, Japanese and European) operating in both Korea and Taiwan with the purpose of identifying the determinants of the employment practices used both by MNCs and indigenous firms in managing host-country nationals as to understand the dynamics of HRM strategies within the two Host countries. Again, they found profound differences across country of origin and between host –countries (Korea and Taiwan) and commented on the important role of both countries of origin in shaping HRM systems, although along with these influences they do mention the “shaping” effect of the values and perceptions of top management with regard to the HR function and the consideration of HR as an asset for competitive advantage.

Pauly and Reich (1997) investigated HR policies and practices of MNCs headquartered in the US, Germany and Japan and observed three different ‘syndromes’ that can be attributed to their respective countries of origin and remarked that “these syndromes are durably nested in broader domestic institutional and ideological structures” (p.24).

Huang’s study (2002), again conducted in Taiwan looked at HR practices in subsidiaries of MNCs headquartered in different countries, namely in Japan, US and Germany. He found that although a directional convergence seems to be happening for certain HR practices such as job descriptions, selection criteria, training content and employment security; other practices, such as staffing, acquisition of talents and skills, career path design, training and development, wage determination and pay increase are still subjected to significant variations. What is remarkable is that Western countries seem to have narrowed down their intrinsic differences and adopt a similar set of practices when operating in a non-Western environment (p. 26). Hence origin of country-of-origin is still visible, or at least it can be discerned whether the HQs are located in the oriental or occidental hemispheres. The author probably jumped to rushed conclusions when he affirms that a higher blending of western and eastern practices, hence a higher degree of Convergence towards best practices, is hypothesised for the future.

Studies in Australia (Walsh, 2001, McGraw, 2002) comparing HR practices of foreign MNC’s subsidiaries to those of local firms “revealed a consistent pattern of differences between MNCs and local companies as well as some evidence indicating substantial Country-of-origin effect” (McGraw, 20002: 213). Walsh (2001) analysed data from the 1995 Australian Workplace Industrial Relation Survey and observed a preponderance of innovative behaviours and HR practices in foreign owned subsidiaries, especially in the ones headquartered in the UK and the US.

As far as Europe is concerned, besides an abundance of UK studies, very little analysis has been carried out. Some input has come from German researchers, these studies, together with some British publications, will be discussed below.

The Country-of-origin effect has been observed in Germany, both in the case of MNCs operating in Germany and of German MNCs operating abroad. Michael Muller (1998) points out that even in a Country renowned for its highly regulated industrial relations system as Germany, foreign MNCs (UK and US) still find space for manoeuvre and for applying Anglo-Saxon style HR techniques. US MNCs in particular, had innovated more actively than both domestic and other foreign companies. Moreover, these MNCs have been successful in transferring some of the employment practices used in their PCs and have ultimately challenged local labour and IR institutions. At the same time, when MNCs headquartered in Germany operate abroad they are very likely to preserve their “German-ness” (Dickmann, 2003) thus proving that there is a unique German path to what Ferner and Quintanilla have called the “German Anglo-Saxonisation” of the HR system (1998).

Lubatkin et al. (1998) examined the control strategies used by MNCs during and immediately after acquisitions of British and French subsidiaries. They found out that the Headquarters-subsiidiary relationship established varied in accordance to the HQs’ national origins and ideological beliefs.

Harzing and Noorderhaven (2006) in a survey of MNCs headquartered in the US, UK, Germany and Japan, found further support for the existence of unique patterns of HR strategy that can be once again related to country-of-origin. This was found to be the

case even for the most internationalised companies in the globe, to express it in their own words, they “find a strong counter-argument against Ohmae’s (1990) suggestion of nationless corporations” (p.11). They rather subscribe to Hu’s (1992) stance that, as per the title of their journal article, believes that “Global or Stateless Corporations are National Firms with International Operations”. Harzing and Noorderhaven’s paper (2006) is particularly relevant to this study as one of the criteria that they used for the selection of their countries was the fact that they belonged to different cultural (according to the Ronen and Shenkar’s (1985) review and classification) and institutional clusters (Whitley, 2002). Their findings support and justify the research design of the present study as they observed that countries with greater cultural and institutional similarities (i.e. Germany and Japan / the US and the UK) display strikingly similar behaviours. Another interesting conclusion that they advance is that “although Europe becomes economically and politically more integrated this has not resulted in any similarity of management practices, not even for the most internationalised companies” (p.12). They finally call for more empirical research into the country-of-origin effect in future years to observe any potential new trends. In an earlier ‘conceptual’ paper Noorderhaven and Harzing, (2003) investigated the strength of this effect by analysing the internationalisation strategy and the international control strategy (which they consider to be the most ‘de-contextualised’ aspects of the MNC) exercised by MNCs and they still found evidence of the effect. They did not include general HRM policies and practices in their study and identified this area as a potentially interesting route to follow. Noorderhaven and Harzing (2003:47) also propose a series of factors that have an impact on the strength of the country-of-origin effect, these are: a) the homogeneity of the home culture and the essential traits of the home-country culture (as per Hofstede’s (1980) classification); b) the size and open-ness of the home-country economy; c) the cultural and institutional differences of the environments in which the

MNC operates and d) the international growth path of the MNC (greenfield sites versus acquisitions). Their list reflects and includes factors that had already emerged in previously reviewed literature (e.g. Schuler et al.'s (1993, 2002) exogenous and endogenous factors, including industry and country/regional characteristics as well as country culture and the structure of international operations; headquarters international orientation and competitive strategy respectively).

Taylor et al. (1996) provided three main factors that reflect and complement the above listed: 1) how strategic is the affiliate (and more specifically the criticality of the resources owned); 2) method of establishment and 3) cultural and legal distance.

Brewster (2002) also attempted to highlight some essential determinants of HRM policies and practices in a HC; he argued that it is important to consider: a) the type and nature of the industry; b) the resource dependence of the subsidiary and its embeddedness in the local environment; c) the parent company's orientation to internationalisation; d) the cultural distance between the parent country and the subsidiary and e) corporate culture. National culture and institutional context are considered to be very strong determinants of chosen HRM policies and practices.

The researcher is well aware that many more elements could be taken into account when trying to isolate the country-of-origin effect. A conceptual model was presented by Sethi and Elango (1999) which highlighted three main factors of influence: 1) industrial capabilities and economic and physical resources; 2) cultural and institutional backgrounds; and 3) national government's economic and industrial policies (p.287). But as Noorderhaven and Harzing (2003:52) argue, these factors are fundamentally diverse and hard to combine in a 'single concept of country-of-origin effect', while it would be advisable to leave aside the effect of the national government contingencies

(factors 1 and 3) and focus on cultural and institutional influences. The latter are preferred because of the influence they exert onto the MNC behaviour ‘through tacit beliefs and implicit values of the key decision makers’ (p.55). If we choose to interpret country-of-origin effect as a result of the behaviour exhibited by the MNC, we have to acknowledge that the behaviour is not always directed by managers’ strategic choices (that will take into account a series of contextual variables, as highlighted in the models above) but it is also guided by unconscious, deeply rooted cultural values and by the tacit habits acquired through years of adherence to national institutional norms. And **it is this combination of national cultural values and institutional norms that can be considered as the most representative manifestation of country-of-origin effect**, set aside from contextual constraints.

For the purpose of this study, a working definition of country-of-origin effect will encompass *those differences in HRM policies and practices of Finnish MNCs’ operations in Italy that can be ascribed to the specific national (Finnish) origin of the MNC, as a result of the unconscious imprinting on the management style of the MNC caused by its initial institutional and cultural embeddedness in its country-of-origin.*

This is why in this study a great emphasis has been placed on national cultural values and institutional backgrounds of the chosen Countries. Unfortunately, as Noorderhaven and Harzing also acknowledge, subconscious beliefs and values cannot be isolated from ‘deliberate’ decision making that tries to respond to contextual constraints, hence –they conclude- “we will always have to control for relevant contingency factors” (p.56). To this purpose they provided a list of factors (home-country specific and MNC-specific) that include three “categories of moderators of the country-of-origin effect: culture, institutions and contingencies”. They distinguished six categories of moderators (as briefly hinted at the beginning of the paragraph), as is illustrated in the following diagram:

**Table 4 - Moderators of country-of-origin effect, adapted from Noorderhaven and Harzing (2003).**

	Culture	Institutions	Contingencies
Home country factors	Homogeneity of home-country culture  Characteristics of home-country culture	Characteristics of home-country institutional regime	Size of home country economy  Openness of home country economy
MNC- specific factors	Cultural diversity of environments in which the MNC operates	Diversity of institutional regimes in which MNC operates	International growth path of MNC

These moderators will be integrated in a proposed research framework, which will be presented in the methodology chapter.

Not all studies though have found evidence of country-of-origin effect. Tregaskis (1998) in her investigation of HRD in foreign MNCs (a study analogous to Ngo et al.'s, 1998) compared some policies and practices of locally owned organisations to those used in subsidiaries of MNCs of various origins (Western Europe, US and Japan) and found little variation that can be associated to the subsidiaries' national origin. Hayden and Edwards (2001) exploring a case study of a Swedish MNC came up with the conclusion that although country-of-origin seems to be influencing organisational behaviour, it is also true that this effect was found to be eroding over time as the MNC was moving towards more use of Anglo-Saxon policies and practices (Pfeffer, 1994; Huselid, 1995).

Pudelko and Harzing (2007) in their examination of US, German and Japanese MNCs, found that MNCs might limit the export of country-of-origin practices only to some



core competencies while in most cases they would converge towards models of best practice.

A more recent publication by Almond (2011) revisiting the country of origin effect has identified two major areas of ‘deficiency’ in the existing literature. Almond argues that two important factors that also have to be taken into account include: a) an understanding that management might decide to strategically segment HR policies, whenever possible or suitable; and b) the possibility that country of origin (or country of HQs) might not equate to country of ownership. Cross-border mergers, joint-ventures and structures of ownership and finance might make it difficult to identify which ones are the entities that exert more control. Although in this thesis a distinction between Finnish MNCs’ status (whether they are joint ventures or cross-border mergers and what does their ownership structure looks like, whether their stock are traded in the London or New York stock exchanges and hence whether they are strongly dominated by investors from other Countries) will not be made, which might be seen as a limitation of this study; an attempt will be made to incorporate elements of a ‘relational perspective’ by trying to understand how strategy has been taken into account in the formulation of ‘local’ HR systems.

Studies that have brought the importance of strategic ‘segmentation’ to the fore include Elger and Smith’s (1998), as in an investigation of Japanese MNCs’ HR practices in their UK subsidiaries they found out that although ‘functional equivalents’ (rather than mere replications) of typical Japanese HR policies and practices can be observed (e.g. competence-based remuneration), these were associated with some ‘strategically’ selected UK practices, namely those that involve ‘harsh conditions and union exclusion’. Almond (2011) sees this process as still indicative of country of origin effect

but in a different manner, according to him this “reflects a strategic decision by home country managers to segment the productive systems of their firms internally, using the ‘resources’ of host country to fit a core/periphery division inspired by home country ideas’ (p.265). This argument is used in support of the research design of the present study, as an attempt to understand the reasons WHY certain HR practices have been selected for use will be made during the interviews with the HR managers.

Brewster (2008) has also attempted to review the debate and has presented us with new evidence. After analysing data produced by the CRANET survey, he purports that: although MNCs do behave differently to locally owned firms, including locally born MNCs, they also seem to behave differently from their indigenous counterparts, in which case both the ‘Nationality/country-of-origin’ effect and the ‘local isomorphism’ effects cannot be proven. He also found no evidence of “MNCs pioneering an emerging set of global best practices” (p.333), denying a *de facto* convergence. Moreover he did not find any support for cultural/institutional paradigms in the explanation of MNCs approaches to their HRM. Brewster’s data most strongly supports a ‘duality’ perspective, whereby firms “face conflicting pressures both towards and away from the local practices, which may be exacerbated by regulatory issues or rational determinants...and/or the strategic choices made by managers” (p.320). Unfortunately, data presented look at main tendencies for all European Countries and make no distinction and no thorough analysis for specific Countries, hence cannot attest whether conclusions might be applied in all scenarios or whether things would be different in the case of Countries with a greater/smaller cultural/institutional variance.

From all the studies reviewed above, we can conclude that **a ‘country-of-origin’ effect is often discernible and that MNCs are influenced by both cultural and**

**institutional characteristics of their country of origin when devising HRM policies and practices for their subsidiaries.** The review also seems to suggest that while at times the MNC chooses to export its HRM practices, there are also times when it seems to abide by ‘universalist models of best practice’ hence the evidence is still inconclusive and, moreover, only very few studies have looked at specific European Countries in detail. Studies such as Brewster et al.’s (2008) acknowledge in their limitations the inability to undertake a “more closely grained analysis” (p.334) and have no means of assessing distinct national identities within the group of Countries investigated. No studies on Italy and Nordic Countries have been found. Furthermore, most researchers have either based their investigation on cultural or institutional paradigms of analysis hence leaving scope for a combined institutional and cultural analysis. No clear answers have been found to whether there seems to be a convergence towards high performing work systems/best practices, a continuous divergence that reflects PC or HC national cultural and institutional idiosyncrasies. Discussion on whether convergence of HRM system is occurring/is likely to occur or whether differences are too strongly embedded to facilitate the adoption of common approaches is a very ‘hot’ topic in the IHRM agenda. Some of the main contributions to this debate will be reviewed in the following paragraph.

#### **1.2.6 The convergence-divergence debate**

By *convergence* we refer to the belief that existing variations in organisational forms and management systems are of diminishing salience and that, in the long term, with the emergence of what Ohmae (1990) defined a “borderless world” of “interlinked economies”, they might become non-existent. McGaughey and De Cieri (1999) defined convergence as the tendency to become more similar over time. This belief has its roots in Kerr’s conviction that technological change ultimately creates similar industrial

systems (Kerr et al., 1960). At that time, Kerr et al. looked at the reality of Fordism and were convinced that the fast spreading technologies and techniques of mass production would shape working and managerial practices universally (technical determinism). It was therefore conjectured that business practices would converge to the “best model” of the most successful US organisation.

A more recent literature review on the topic can be found in McGraw and Harley (2003), where they refer to the previous works of Mace and Belanger (1999) and Salamon (1997). In brief, according to this ‘traditional’ convergent paradigm, managerial practices, including HRM systems, are economically and technologically derived. Pudelko and Harzing (2007) agree that one reason to accord dominant status to a particular country is indeed its superior economic performance. Ideal ‘dominant’ economies have changed over the years, going from the Tayloristic USA to the ‘kaizen and lean production’-oriented Japan (1970s-1990s) and in more recent years going back to the flexible American managerial model, that seems to be more apt to cope with the current climate of instability, change and innovation.

Brewster (1995) identified yet another type of convergence, a ‘newer’, ‘institutional’ convergence, arguing that institutionally driven convergence is taking place within the context of the European Union. The commonality between what Brewster defines a ‘free market’ US model’ and the European one lie in that MNCs’ choice of their HR strategies, in both cases, is shaped and moulded by a mix of factors, either technological, economic and institutional. While in the first model, the constraint is of a ‘market and technology’ nature, in the European case convergence is promoted by an emerging stronger common institutional framework.

Although both Blanpain's (1992) and Baldry's (1994) previous research findings suggested that there is no scope for a 'European convergence'- as even within the framework of the Maastricht treaty, national realities are experiencing a still more marked form of nationalism that insinuate a move towards decentralisation and federalism (Blanpain, 1992) and even if the same institutional influence is exercised on all member states, different national systems "are not necessarily converging" (Baldry, 1994: 107) – Brewster (1995) postulates the possibility of an institutional convergence, whereby an overarching institutional structure (the EU) creates pressures and premises for a 'regional' convergence. He hence proposes a European model of HRM, the main points of differences being in the commitment of the EU to maintain the role of the 'Social Partners', hence perpetrating a pluralist culture (as opposed to the US unitarist culture) in ER and the high presence and strength of the public sector (as opposed to the dominance of private sector organisations in the US). However Mayrhofer and Brewster (2005) argue that it is not easy to demonstrate convincingly that HR practices in Europe and the US (or, indeed, elsewhere) are clearly different, the main reason being a lack of adequate comparable data. It is also worth stressing that despite the market and institutional forces of convergence in Europe and the most recent attempts to agree to a European Constitution, human resource management is still not a universal concept (Morley, 2004). Despite this "supranational push", country-specific differences are all-pervading.

Another argument for a European convergence is the distinction, made by Mayrhofer et al. (2004) following the evidence of the CRANET Network data, between two types of convergence: the "directional convergence", indicating that the same trend is shared (e.g. the difference in the proportion of use of the same HR practice in two or more countries might have grown larger but it might nevertheless indicate a convergence in

direction: more or less use); and the “final convergence”, where countries are actually becoming more alike (defined as convergence to a final point, with one Country decreasing and another increasing usage of a specific practice). The CRANET research points to some extent to a directional convergence, but there is little or no evidence of final convergence.

Directional convergence has been observed in the following HR areas (Mayrhofer et al., 2004):

- Decrease in size of the HR department
- Increasing investment in training and development
- Increasing amount of information shared with employees about company strategy and financial performance
- More use of contingent compensation systems (as performance related pay).

Little support for directional convergence has been found in the areas of:

- More flexibility and use of FWAs
- Policy decision making
- Decentralisation of responsibility (devolvement).

From the above findings, it seems that –after all- most of the convergence (directional) that has taken place in Europe is still towards what had been recognised as ‘best practices’ in the Anglo-American models (Pfeffer, 1994; Huselid, 1995).

To conclude this section, the argument for convergence or divergence seems to be valid according to the viewpoint adopted (the turn of the screw):

- At a more general level, a move towards general US HRM practices has been reported; see the spread of more flexible working practices, of downsizing and of the diminishing power of TUs.
- At a European level, the impact of the European Union, of a common market and a common currency, of a series of common regulations, of the diffusion of common values can be seen in a number of common traits that give a typical European flavour to the HRM system of the region. More specific traits are perceivable amongst the member states and have led to a series of attempted clustering on the basis of cultural or institutional specificity.
- Individual countries continue to be unique and idiosyncratic, having different histories, cultures, institutional settings. No final convergence can be hypothesised. (Sparrow and Hiltrop, 1997).

The *divergence* paradigm, on the other hand, refutes this movement towards universally applicable principles of best practice. To quote McGaughey and De Cieri (1999), divergence has been defined as the tendency to become more dissimilar over time, although in the context of the present study, divergence is rather used as synonymous of ‘non-convergence’, as it is believed that national systems and national management styles rather than becoming more dissimilar are simply not becoming more similar (Pudelko, 2006). Two main ‘branches’ of “divergers” can be identified: the ‘culturalists’ and the ‘institutionalists’. Both culturalist and institutional theories will be further explored in the next chapter.

Culturalists’ belief (Laurent, 1986; Hofstede, 1980; Schneider and Barsoux 1997; Trompenaars and Hampden-Turner, 1997; Tayeb, 2001; Hall, 1990; Triandis, 1994) is best summarised by Hofstede (2001) when he argues that there are deep-rooted cultural

differences between societies which are not susceptible to rapid change. Culture is a force against convergence as both “form and content of functional specialisation that develops with growth would vary according to culture” (McGaughey and De Cieri 1999: 237). Globalisation/internationalisation cannot be seen as a unifying influence because of the strong influence of national cultures and of the behaviour of companies (Adler, 1991).

Institutionalists (Whitley 1992; Maurice et al. 1986; Lane 1994, 1997; Sparrow and Hiltrop 1994; DiMaggio and Powell 1983); argue that national business systems do not respond readily to the imperatives of technology or the market. According to Almond (2011) institutionalism implies that how firms co-ordinate HR is likely to be shaped by a range of institutional factors such as finance, education and training and Industrial relations. Institutional pressures, such as the State, regulatory structures, interest groups, public opinion and norms do limit organisational choices (DiMaggio and Powell, 1983). Whitley (1992) asserted that there are different, and at the same time equally successful, ways of organising economic activities and management. He affirms that there are three main forces that shape industrial relations and HRM, these are: 1) the way the market is organised; 2) the nature of the firms and 3) how this influence their authority, co-ordination and control systems. NBSs are socially constructed and entrenched in strong national institutional frameworks (Lane, 1994) and Whitley (2000) found evidence of continuing dissimilarity between them, despite the alleged convergence.

The convergence/divergence debate is strictly linked to “two different (ideal-type) paradigms for research into HRM” that Brewster named universalist (associated to convergence) and contextual (associated to divergence) paradigms (Brewster, 1999).



Universalists believe in the existence of “a right way” of managing that always stays the same, irrespective of the diversity of the context. This was the viewpoint adopted and disseminated by the first models of SHRM (e.g. the Harvard and Michigan models). These first “prescriptive” frameworks implied that their findings would be generalisable and applicable everywhere in the world. But this view of universality is not anchored to the first attempts of speculation in SHRM, subsequent theorists of SHRM (Huselid, 1995; Pfeffer, 1994; Wood, 1999, Delery and Doty, 1996; Wright and Brewster, 2003), continued to profess the superiority of certain management practices and techniques over others and busied themselves in preparing and disseminating lists of ‘universal best practices’, thought to contribute to organisational effectiveness in all types of industries and contexts. Sparrow et al. (2004) argue that universalism is “linked to parochialism...the unchallenged post war economic dominance of US MNCs for a period of several decades established a model that was therefore considered to be linked with superior performance across economic contexts. It has become hegemonic, partly because of the influence of US academic systems, publishing and consulting firms” (p.29). It is, obviously, a “culture-free” approach, following Hickinson et al. (1974) conviction that organisational structure is largely uninfluenced by cultural factors. The value of the universalist approach lies in the simplicity of focus and in its replicability. It adopts a “nomothetic” approach in that it uses “evidence to test generalisation of an abstract and law-like character” (Brewster, 1999: 47). The aim of this type of research is to lead to prediction of factors and implementation of policies and practices bringing about improved organisational performance (Sparrow et al., 2004). The weaknesses of this approach are in that it neglects all the contextual factors around the organisation, as if the organisation could be totally isolated from its environment and as if the market and technological forces could supersede national cultural orientations and institutional

specificity; and in that it presents all the problems of the ethnocentric approach and would be a driver of convergence.

Clark and Mallory (1996:11) voiced their reaction to the universalistic position as follows: “American notions of HRM...may have little, or limited, relevance to nations which do not possess identical or similar cultures”. The same authors insisted that international best practices *per se* do not grant increased performance, unless closely matched to national predispositions.

The contextual paradigm refuses the underlying assumptions of the market forces being the primary drive of managerial choices and HRM systems and, rather than focusing on benchmarking successful organisations in order to determine what is common practice to then apply this everywhere, it chooses an “ideographic approach” (Brewster, 1999) that looks at what is contextually unique and why. Researchers are more interested in understanding rather than prescribing and firm performance is not considered the ultimate outcome of analysis. “This paradigm emphasises external factors as well as the actions of management within an organisation. It explores the importance of such factors as national culture, ownership structures, labour markets, the role of the state and trade union organization as aspect of the subject rather than external influences upon it. The scope of HRM goes beyond the organization” (Sparrow et al., 2004: 30). Pauly and Reich (1997) found evidence of enduring differences in structures and strategies over time and concluded that idiosyncratic national histories, durable domestic institutions and ideologies extend to structure and managerial systems, this promoting – and not eroding- diversity (p. 23).

The contextual paradigm is more suitable to the analysis of the European context, because of its greater diversity and stronger institutional and legal constraints, researchers feel the need to look at areas such as compliance, Equal Opportunities, Trade Union relationship, dealing with local government (Brewster, 1999). The contextual paradigm contemplates “exogenous” factors and reaches a deeper level of analysis. **This research study is of an ‘exploratory’ nature and tries to compare idiosyncratic differences found in the two Countries chosen for analysis (Finland and Italy) and then explore what happens when ‘Finland goes to Italy’, with an open, non-prescriptive approach, hence a contextual paradigm of analysis will be used.**

Over the years, a number of strategic frameworks aimed at understanding and optimising the relationship between HQs and subsidiaries, including a further understanding of the dynamic of knowledge sharing and transferring of practices across countries, have been presented. These will be discussed in the following paragraph.

### **1.3 SIHRM: proposed Frameworks to optimise the HQs versus subsidiary relationship**

In the first models of IHRM the emphasis was put on the relation between IHRM policies and practices and some single factors (Shen et al., 2009), such as the structure of the organisations (Stopford and Wells, 1972), the strategy adopted (Doz and Prahalad, 1986; Dowling and Welch, 1988), the attitude of senior management towards internationalisation (Perlmutter, 1969; Heenan and Perlmutter, 1974) or the internationalisation strategy and the stage of internationalisation reached (Heenan and Perlmutter, 1974; Bartlett and Ghoshal, 1989; Adler and Ghadar, 1990). Subsequently, these studies have been used as a starting point for more complete “integrative models”,

where IHRM policies and practices are related to a series of intervening factors or variables (Schuler et al, 1993; Taylor et al, 1996 and Schuler et al., 2002).

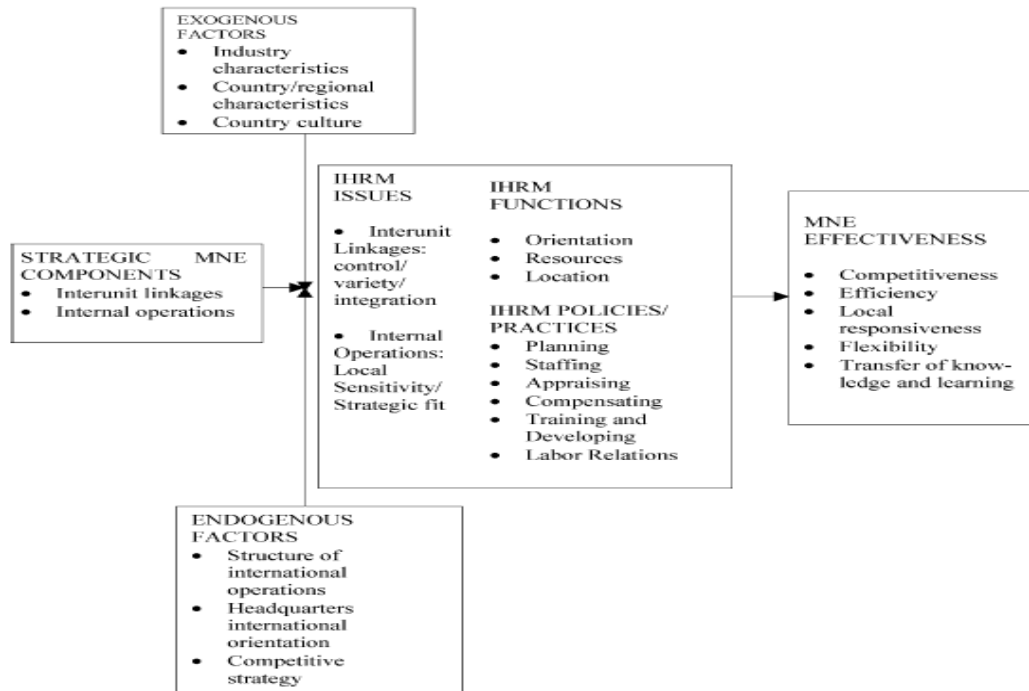
Schuler et al.'s (1993, 2002) integrative framework of SIHRM in MNEs is perhaps one of the most comprehensive models to date, as the authors have tried to link the strategy the organisation adopts for the achievement of its goals with the implemented HRM policies and practices. The authors tried to capture in their model all the important factors identified by previous theorists. They denounced the scarcity of research in the area of SIHRM, as most of the researchers had, until then, mainly concentrated on expatriation issues and, therefore, shifted the focus of the research onto identifying the influence exercised by exogenous and endogenous factors on SIHRM and try to analyse the interplay and resulting outcomes of these interrelationships and influences. They incorporated the concepts of “flexibility” – seen as the capability of adapting in an effective and timely way to the changing conditions and demands of both external and internal factors- and “fit” - seen as the ability of aligning needs, goals objectives and structure of various components; in this case it is a matter of fit between the SIHRM and the goals of the firm.

The ultimate goals and concerns for an MNC should be the survival in a global market by means of a strong global competitiveness; the use of appropriate methods and processes that allow for making and delivering high standard, efficient products and services worldwide; and –again- the ability to be locally responsive, recognising the need to adapt to local condition, legislation and culture; achieving flexibility, in order to cope with the constantly changing environment; and the ability of sharing learning and transferring knowledge across borders. As per Schuler et al.'s words (2002:41-42):

“The purpose of IHRM is to enable the MNE to be successfully global. This entails being: (a) competitive through the world; (b) efficient; (c) locally responsive; (d) flexible and adaptable within the shortest of time periods; and (e) capable of transferring knowledge and learning across their globally dispersed units”.

In order to achieve these goals, the MNC needs to look closely at what the authors called ‘strategic components’, namely interunit linkages and internal operations (see figure 3). The interunit linkages’ main aim is the achievement of the right balance between differentiation and integration, between co-ordination and control. The authors state that the degree of integration will vary according to the characteristics of the MNC and to the stages of globalisations attained (Adler and Ghadar, 1990). Through their internal operations, MNEs are trying to achieve a ‘strategic fit’ - although operating as closely as possible to the local environment with its laws, politics, culture, economy and societal norms- by reflecting the MNC’s strategy in the policies and practices adopted. These strategic components really embody the global-local dilemma that will be further discussed in the following section.

**Figure 3 - Schuler et al. (2002) Integrative framework of SIHRM.**



Very important in this framework is the role played by both exogenous and endogenous factors. By exogenous factors, they refer to all the factors external to the MNC, namely the industry characteristics (including the type of business and technology available; the nature of competition and the extent of change the MNC is exposed to), the country and regional characteristics (encompassing the PESTLE factors of the external environment) and, in Schuler et al (2002), the country culture was mentioned separately, as the ever-increasing role granted to it made it worth listing it as an extra factor in its own rights. By endogenous factors, they mean those internal to the MNC, such as the structure of their internal operations; the HQs internationalisation strategy; the competitive strategy and the MNC's experience in managing international operations. This last factor was lately dropped (Schuler et al., 2002). These two sets of factors influence the organisation's SIHRM, which in turn will affect the achievement of the goals.

The interrelationship between strategic MNC components with exogenous and endogenous factors will shape the SIHRM policies and practices adopted by the MNC.

The HQs will have three main concerns and functions: (1) the HR orientation, consistent with the internationalisation strategy adopted; (2) the resources, in terms of energy, time and money, to be devoted to operating the HR function; (3) the location of these resources, together these will decide to what extent should HRM be centralised or decentralised, or to some extent in-between.

Policies and practices will be designed in accordance with the strategy adopted and must be 'ad hoc' for the achievement of the indicated goals. The main policies and practices listed include six main HR areas: planning, which requires an ability to make sure that the appropriate people will be in place at the right time anywhere in the world; staffing, which should aim at achieving an appropriate mix of PCNs, HCNs and TCNs; appraisal; compensation, deemed to be strategically and culturally relevant; training and management, seen as the way to create the shared vision and mind-sets that can promote interunit linkages; and labour relations.

The main message to be read in the framework is an acknowledgement that although SIHRM can be transferred across borders, there is a necessity to be aware and, at times, abide to the HC conditions, culture and requirements. The major role of SIHRM is therefore to develop "a strategic fit" between exogenous and endogenous factors, find the right global-local balance in terms of integration, coordination, control and autonomy (p.753). This would imply a strategic management of the global-local dilemma, for which the authors propose a solution that sees the development, in the HQs, of general guidelines on how individuals should be managed and the development of specific practices to be adopted, in the individual subsidiary. A common underlying philosophy, consistent with the strategic orientation of the MNC, together with a set of 'umbrella' policies to be applied flexibly would grant consistency, while context-

specific practices would allow for adaptation to the local environment. Therefore a strategic formulation of policies and practices should allow the MNE to be “responsive to and effective in the local environment yet being willing and ready to act in a co-ordinated fashion with the rest of the MNE units” (p.734). To use Schuler et al.’s words, relevant SIHRM policies and practices should be (Schuler et al., 1993:734):

- “Matching and adopting HR practices with the competitive strategy of the unit and the local culture and legal system.
- Creating a *modus operandi* whereby these HR practices can be modified to fit changing conditions.
- Developing global HR policies flexible enough to be adapted for local HR practice.”

The ability to design a SIHRM system capable of balancing these different forces still remains one of the challenges to be faced. Schuler et al.’s framework is supported by 34 testable propositions, which incorporate a series of theoretical perspectives. Although they try to initiate a fruitful discussion meant to contribute to the IHRM body of knowledge, they haven’t been comprehensively tested (Harris et al, 2004).

Criticism of the model include that it fails to explain the political micro processes that take place between HQ and the subsidiaries (Ferner and Quintanilla, 1998); it is primarily concerned with senior management and not the workforce as a whole and refers to a number of essential elements - industry maturity, history, national industrial policy and extent of unionisation- without then taking them into account (Ferner, 1994:726); it does “not attempt to explain the inter-relationship between contingencies” and some of the propositions seem at odd with each other (Harris et al, 2004: 137).



Balancing the competing pressure towards global integration and local differentiation, as discussed in 1.2 above, remains one of the hardest strategic decisions to be made. Evans et al. (2002) interpret this dilemma in terms of “Duality”: a compromise would be constituted by a system that adopts a global, centralised strategy for the senior management positions and a polycentric approach for the lower management positions and the remainder of the workforce.

Obviously, it would be too naïve to think that organisations can strategically decide to position themselves on one or the other side of the continuum and remain ‘static’, as they are faced with pressures to be operating at both ends in order to achieve or maintain competitive advantage. It is not a case of “either, or” (De Cieri and Dowling, 2006), global integration and local responsiveness are not mutually exclusive.

Different approaches are always likely to survive as we need to remember that firms need unique solutions, since many are the factors that the choice of a particular strategy depends upon. Adler and Ghadar (1980) sustained that internationalisation strategies were determined according to the OLC (Organisational Life Cycle) and by the stage of internationalisation the firm has reached, while Hedlund (1986) insisted on the importance of the resource dependence of the affiliate on the PC. Both Perlmutter (1969) and Rosenzweig and Nohria (1994) asserted that the approach chosen might be “inconsistent” throughout the organisation and might vary in respect to different functions: while marketing tend to be localised, finance tends to remain highly centralised; HRM usually tending to be the more localised of the business functions.

As anticipated earlier, even within the HRM function, some policies and practices might be more or less localised than others (Rosenzweig and Nohria, 1994).

We also need to remember that these orientations are far from static, as the conditions where the organisation operates change, some of the underlying factors might become more or less important and the firm might have to re-consider its choice. It is therefore of vital importance to pin down the factors that determine the choice of an approach or another.

The degree of “*glocalisation*” in HRM may in fact depend on (Brewster 2002):

- Business function, as above discussed;
- Type of industry (Porter 1986), the highest the proximity to the local market, the more similar HR policies and practices will be;
- Nature of industry (Bartlett and Ghoshal 1989), multidomestic operations will be more localised as opposed to the globalised industries;
- Resource dependence (Schuler et al. 1993, Taylor et al. 1996);
- Embeddedness in the local environment (Rosenzweig and Nohria 1994);
- Time (De Cieri and Dowling, 2006), organisations are very dynamic;
- PC’s orientation to control and culture (Laurent, 1986);
- “Cultural Distance” between PC and subsidiary;
- Corporate Culture (Evans and Lorange, 1989).

Some other important contingent variables, such as size of the organisations, type of technology used and strategic role/resource dependency of the subsidiaries (Ghoshal and Nohria, 1989; Tempel, 1999; Taylor et al, 1996) also need to be accounted for. The implications of strategic role and resource dependency are analysed by Beechler et al. (1994) who, amongst others, purport that the country-of-origin effect will be greater, the greater the resource dependency of the subsidiary on the PC. Liu (2004) suggests that

transferring HRM systems to subsidiaries with a highly strategic role will be easier than to subsidiaries with a non-strategic role. Tempel and Walgenbach (2007) argue that subsidiaries have a strategic role when they are actively involved in research and development activities; while they are not strategic if they are sales units that only serve the local market. The industrial sector in which the MNC operates and the nature of work undertaken by the firm are also essential variables to consider, as would be important to discuss any possible effects of organisational culture (Budhwar and Debrah, 2001). Finally, MNCs' specific factors -such as the diversity of cultural and institutional environments in which they operate (Noorderhaven and Harzing, 2003) and strategic internationalization orientation have to be considered (Perlmutter, 1969), as well as its staffing strategy as it is often through the use of expatriates that MNCs transfer their home-country systems to their operations (Harzing, 2000).

Many attempts to resolve this fundamental dilemma have been made. Schuler (1993) sustained that coherence might be achieved in interunit linkages, that will act as ways to facilitate organisational learning (e.g., project teams conducting research undertaking research and development jointly); Evans et al. (2002), Bartlett and Ghoshal (2004) and Kochan (1996) suggested that the resolution of the paradox may lie in the learning process: MNCs could resolve the dilemma by cultivating their stock of knowledge and expertise, drawing on their ability to foster learning within and across dispersed units. However, MNCs that can say to have successfully established a two-way learning process and to have found the perfect balance on the degree of global versus local are very few (Brewster, 2002, 2011). It seems that there are still both scope and need to further investigate the issue. Learning should occur through the transfer of HR policies and practices from HQs to subsidiaries and vice versa, but **to this day, it is still not very clear how and where HR policies and practices are established and**

**transferred.** The current thesis might help to shed light on some ‘transfer mechanisms’ between culturally and institutionally diverse realities.

#### **1.4 IHRM and gaps in the current literature**

A number of gaps have been identified in the above literature review. Clark et al. (1999) and Adler (1983) criticised the IHRM literature as being:

- parochialist in nature, mainly due to the Anglo-Saxon nature of the majority of the research undertaken;
- very little is known about HR in the rest of the world, research outside these “topical” areas should be encouraged;
- mostly ethnocentric (Adler, 1983), studies are designed and conducted in one culture by researchers of that culture, they are then replicated in other cultures without modifying instruments and measures;
- research often fails to “explain observed differences or similarities, and, if it does, often falls back on a vague and unspecified notion of culture” (p.533).  
There are problems in defining culture and in separating the concepts of culture and nation, cultural variables are often presented only *a posteriori*;
- There is a gap of longitudinal perspective.

Although in years not covered by Clark et al. analysis, from 1997 to date, some attempts have been made to overcome these limitations, we are still far from a scenario where all deficiencies have been addressed (Brewster, 2011).

This might be partly due to the fact that HRM as a discipline was born in the United States at the beginning of the twentieth century and most of the knowledge and research on HRM –until very recently- was provided by US researchers and dealt mainly with best ways of improving performance in local American firms, without taking into

account factors related to the globalisation of business. It is therefore unsurprising to see that contemporary theories and models of HRM are strongly influenced by American literature and are still, very often, quite American in their approach.

In order to develop the management practices needed for the study of HRM an international perspective is needed (Brewster 2011), but although IHRM is now very firmly established as a discipline and an academic field of study, International and Comparative HRM are still ‘underdeveloped’. This might be attributed to the fact that IHRM is still a ‘young’ discipline, interest in the area has grown only in the last thirty years - Laurent (1986) had indeed defined it as a field in its infancy stage- and most of the research concentrated mainly around expatriate issues (Harzing and Pinnington, 2011).

How the most appropriate HR strategies in MNCs can be devised and how can the HRM function best be internationalised are still unanswered questions. This seems quite paradoxical, provided that the HR function should be dealing with globalising the workforce, while it still lacks the “global thinking” mind-set itself and it is over-reliant on general principles of HRM (rather than IHRM).

Harzing and Pinnington (2011) also argue that although HRM and IHRM have many similarities and are often treated as one and the same, they present important differences when it comes to the theory and practice of strategic management. As Evans et al. (2010) purport, it is impossible for a MNC to devise an HR management strategy only considering assumptions and needs of the organisation from the perspective of one Country, one single domestic market and one national economy. IHRM is meant to broaden this limited approach and provide various perspectives that are meant to inform

strategic decision making. Broadening the perspective is often the role of Comparative HRM. Boxall (1995) made an important distinction between IHRM and comparative HRM. IHRM focuses on one of the three areas later identified by Sparrow et al. (2004) as the three major areas of research in global HRM: management of firms in multinational contexts (area one). It addresses issues such as the complexity of managing HR, defined as the most nationally specific resource, across borders. It is more broadly concerned with “the unfolding HR issues that are associated with the various stages of the internationalisation process” (pag.5). It addresses issues such as the internationalisation process itself, entry mode decisions, foreign subsidiary management and expatriate management, all issues that we do not encounter in domestic HRM. Comparative HRM encompasses the other two areas of the three identified by Sparrow et al. (2004). It focuses on the comparison of managerial practices across cultures and involves all cross-cultural and cross-national studies (area two). It analyses managerial practices in specific national contexts, with the aim of providing new studies, away from the overarching American perspective (area three). The distinction between the above two areas of HRM is now more and more blurred due to recognised awareness that in order to explore IHRM we need to know how HRM is conceived in each of the national contexts we are examining. Budhwar and Sparrow (2002) suggest that the two fields may overlap, in that both examine aspects of HRM policies and practices in a world or regional context.

In this thesis Comparative and cross-cultural management will be seen as integral parts of IHRM and IHRM could not exist without them. Part of this study will consist of a comparative analysis of the Countries which are the subject of this study in order to understand the dynamics of inter-relationship between these two Countries. **HRM in Finland and Italy will be compared and contrasted before looking at how Finnish**

**MNCs behave when in Italy.** Only by knowing the differences between what are considered standard HR practices in the two Countries, we can appreciate the effort management in MNCs go through in order to design and implement a successful and strategic HRM system in a foreign subsidiary.

Moreover, this thesis will aim to avoid some of the shortcomings identified in the IHRM literature and will:

- Look at less explored Countries, namely Italy and Finland;
- Define culture and institutional frameworks *ex ante* and include both culture and institutional background as interplaying variables in the *a priori* discussion and use these to guide the formulation of the research propositions;
- Use a combination of methodologies where a survey is associated to a mini-case study approach.

Unfortunately longitudinal analysis will not be used, because of time constraints. Methodological issues will be examined further in the methodology chapter.

Other gaps /shortfalls in the existing IHRM literature concern our knowledge of the relationship between HQs and subsidiaries and how this might be associated to the country-of-origin effect. Scholars suggest that country-of-origin effect might be more predominant in the case where an ‘ethnocentric/global’ strategy is used and local subsidiaries are more ‘receptive’ to managerial practices transferred from the HQs; while when a ‘polycentric/multi-domestic’ strategy is used and subsidiaries are more ‘autonomous’ we might rather witness ‘a host-country’ effect as the influence of the HQs on managerial practices would be fairly reduced. It is not very clear what happens in the case where a ‘geocentric/transnational’ strategy is used, as if ‘active’ subsidiaries

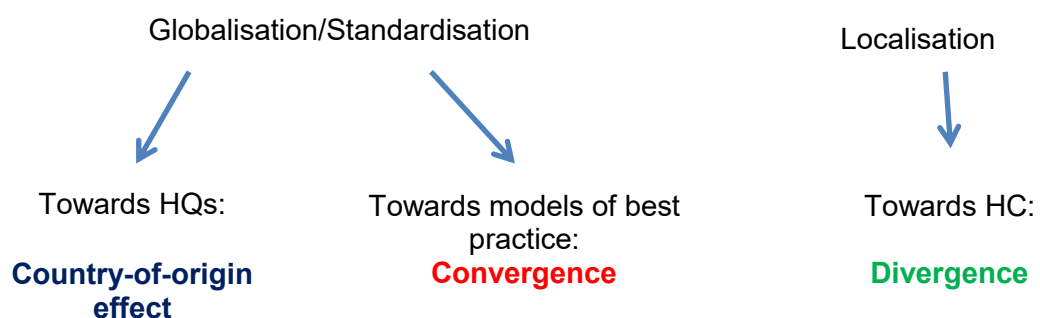
are closely controlled and heavily co-ordinated from the HQs, their intention of transcending national boundaries might lead to the emergence of a set of ‘best practices’ disseminated and co-ordinated by the HQs, but not voluntarily resembling the PC’s managerial systems (hence little country-of-origin would be reported). It is also not very clear how strategy used by the MNC or roles given to/adopted by the subsidiaries can be associated to country-of-origin.

### 1.5 Summing up and way forward...

In this paragraph the literature reviewed will be summarised and the salience of previous research studies will be highlighted. A list of the main factors influencing the parent-subsidiary relationship will be summarised, with particular emphasis on the factors that relate to the country-of-origin effect.

From the above literature it has emerged that MNCs are faced with the arduous task of choosing the ‘right’ management policies and practices, being subject to a series of ‘pushes and pulls’ that can lead to three potential scenarios, as in the figure below:

**Figure 4 - Global versus local. Country-of-origin versus convergence/divergence, adapted from Pudelko and Harzing (2007)**



The influence of the country of origin effect plays an important role in the choice of HRM policies and practices in MNCs but, unfortunately, empirical findings that assess and evaluate the extent of the ‘effect’ are not always consistent. In table 5, some of the



most relevant studies in the area have been listed by the present author; it has been indicated whether evidence has been found of strong or limited country-of-origin effect:

**Table 5 - A summary of studies on country-of-origin effect.**

<b>Strong Country of origin effect:</b>	<b>Limited/little Country of origin effect:</b>
Purcell et al., 1987	Beaumont et al, 1990
Lawler et al., 1992	Guest and Hoque, 1996
Ferner, 1997	Tregaskis, 1998
Ngo et al., 1998	Hayden and Edwards, 2001
Muller, 1998	Brewster et al., 2008
Bae et al., 1998	<b>Pudelko</b> and Harzing, 2007
Walsh, 2001	
McGraw, 2002	
Dickman, 2003	
Rui and Yip, 2008	
Edwards et al., 2010	

Some of the studies that found evidence of weak country-of-origin effect have argued that this might be due to a series of ‘moderating’ factors. Hayden and Edwards (2001) illustrate the above assumption by taking the example of German MNCs in the UK; they argue that even though they were quite willing to export their efficient vocational training systems to the UK, the idea had to be discarded as Britain lacks the essential institutions to support these programs. Noorderhaven and Harzing (2003) presented a list of factors that have an impact on the strength of the country-of-origin effect, including the homogeneity of the home culture and the essential traits of the home-country culture (as per Hofstede’s (1980) classification); b) the size and openness of the home-country economy; c) the cultural and institutional differences of the environments in which the MNC operates and d) the international growth path of the MNC (greenfield sites versus acquisitions). This list reflects and includes factors that had already

emerged in previously reviewed literature e.g (Schuler et al. (1993, 2002) integrative framework). Taylor et al.'s (1996) factors also reflect and complement the above. Brewster's contribution (2002) was the identification of yet more factors (e.g. the resource dependence of the subsidiary and its embeddedness in the local environment; the parent company's orientation to internationalisation; the cultural distance between the parent country and the subsidiary and corporate culture).

Budhwar and Debrah's contextual model (2001) also identify a similar set of factors, only subdivided into 'Outer and Inner contexts'. As far as the 'inner context', some contingent variables that will be taken into account in the present study will be: size, presence of unions and HR strategies. The interest of different stakeholders will not be directly tackled, as this would have substantially expanded the scope of the current study, pushing it out of the 'feasibility' boundary.

From the review of current literature it also emerged that it is still not very clear what is the relationship between subsidiary roles, internationalisation strategies and country-of-origin effect. Literature suggest that a stronger country-of-origin effect might be expected when the HQs assume a more 'controlling' role and when the subsidiary is more 'integrated' with the HQs, namely in the cases of ethnocentric strategies (Perlmutter, 1969) and in the case of subsidiaries that take on/are assigned a more 'receptive' role, to use Jarillo and Martinez (1990) classification. Strategic autonomy of the subsidiary and control (direct and indirect) exerted by the HQs through a range of different mechanisms (Harzing and Sorge, 2003) can also shed light on the 'transfer process', with stronger authority flow from centre to subsidiary suggesting a stronger country-of-origin effect. The influence of the relational context and of trust in particular and their influence on mechanisms of co-ordination and control have been identified as

important determinants of the HQs-subsidary relationship and would also benefit from additional insight.

To conclude, drawing from a few of the most incisive research studies (as outlined above) a contextual approach will be used in this thesis for:

**a) comparative purposes, where Finnish and Italian HRM systems will be compared using evidence proceeding from secondary data; and**

**b) explorative purposes when:**

**1. trying to understand how these factors, especially home country cultural and institutional paradigms, do/do not influence the choice of HRM policies and practices of Finnish MNCs in Italy**

**2. trying to understand how strategic choices, such as HQs' control, and relational variables, such as trust, might influence the extent of country-of-origin effect.**

Following from the literature review, the way forward will include the analysis of:

- Cultural factors; including cultural values and preferences (Hofstede, 1980; Trompenaars and Hampden-Turner, 1997; Hall, 2000); cultural distance (Shenkar, 2001), whereby less cultural distance would presuppose an easier transfer of HRM policies and practices from PC to HC; and homogeneity of home culture (Noorderhaven and Harzing, 2003);
- Institutional factors; such as choices of Variety of Capitalism (VoC) regimes; role of the State and of TUs and type of labour market (Whitley, 2002; Hall and Soskice, 2001); and institutional distance, whereby the larger distance would imply a greater difficulty for MNCs to establish legitimacy in the HC if transferring their home HR policies and practices (Kostova, 1999, 2002).

In the next chapter an institutional and cultural framework that will underpin the research design of the current study, as well as a number of research propositions emerged from the literature reviewed in both chapter 1 and 2, will be presented.

## **CHAPTER 2 – CULTURE AND INSTITUTIONAL CONTEXTS - CLUSTERING COUNTRIES**

As it emerged from literature there is a recognised lack of/need for- new research studies that take into account and combine **both** cultural and institutional theories when analysing the country-of-origin effect. In the following paragraphs, a definition of culture will be advanced together with a discussion of some of the most widely used cultural theories, and their relevance for IHRM. The same will be done in the case of institutional theories, a definition will be provided and a series of studies will be presented and discussed in the light of their significance for IHRM.

At the end of the chapter some research propositions that proceed from all the literature reviewed in chapter 1 and 2 will be advanced.

### **2.1 Culture: What it is and why it matters**

Defining an abstract and complex concept such as culture is not an easy task, over time, many sociologists, psychologists and other researchers have tried to give their own views and their associated paradigms of analysis. After reviewing 164 different definitions of culture, Kroeber and Kluckhohn (1952) attempted to provide an ‘inclusive’ one, as follows:

“Culture consists of patterns, explicit and implicit, of and for behaviour acquired and transmitted by symbols, constituting the distinctive achievement of human groups, including their embodiment in artefacts; the essential core of culture consists of traditional (i.e. historically derived and selected) ideas and especially their attached values; culture systems may, on the one hand, be considered as products of action, on the other as conditioning elements of further action”. (p. 357)

Forty years later, Hofstede (1991, 2001) defined culture as the “Collective programming of the mind” (p.5), as a metaphor for the pattern of thinking, feeling and acting acquired in early childhood and then carried out throughout life. Hofstede believes that these mental programs can be found at the universal level (shared by all, and seen as a sort of ‘biological operating system’, he purports that all humans are born with pretty much the same ‘hardware’); but also at the collective level (here we find specific programs that are shared with the group we belong to and are learnt through the interaction with our group of belongingness) and finally we find an individual level of programming (which is truly unique and idiosyncratic; partly inherited but mainly subjective and generating a range of different behaviours within the same collective group). Hofstede (2001:1) went on to state that our collective programming “...manifests itself not only in values, but in more superficial ways: in symbols, heroes and rituals”; this is in line with Schein’s (1985) earlier analysis of cultural levels, which claimed that culture manifests itself through three levels, characterised by different degrees of accessibility and visibility to the external world. He had named his three levels as: 1) surface manifestations, immediately visible to the ‘outsiders’, which consist of artefacts, rituals and behaviours; 2) values, that as also stated by Hofstede, are not visible although are responsible for underpinning the surface manifestations; and 3) basic assumptions that relate to unconscious assumptions that we hold about nature and relationships, societies and organisations.

### **2.1.1 Common traits and problems with defining culture**

Although the many definitions of culture provided over the years look at culture from different angles, there seems to be some sort of ‘agreement’ on a series of common attributes that are acknowledged by all theorists (Hodgetts and Luthans, 2003): a) culture is *learnt*, it is not genetically transmitted, but can only be acquired through

learning and experience; b) unlike personality, culture is not an ‘individual’ trait but is ‘*shared*’ by a group of individuals who hold common values, symbols, beliefs, behaviours...; c) it is *transgenerational*, and will be transmitted from one generation to the next ; d) culture is not ‘static’, it will evolve over time, in response to changing stimuli and can hence be seen as an ‘*adaptive*’ process; d) it is *symbolic*, as it is based on using one thing as a symbol to represent another; e) it is *patterned*, it a structure and a change in one part will be reflected in the other parts as there are different *layers* of culture, see Hofstede’s ‘cultural onion’ discussed above.

One of the problems related to the generic use of the word ‘culture’ is that there might be numerous ‘types’ of cultures, ranging from religious to ethnic and from regional to linguistic and so on. In this thesis, the word **culture will be referring to ‘national’ culture**. We might argue that limiting our analysis to national grouping might pose its limitations (and it does indeed), but unfortunately it would be far too complex to choose another, less general, level of analysis. As Brewster himself argued (2004), when carrying a research study we have to decide up to which point we can turn the screws of our telescope to get a good picture and we always have to come to a compromise as far as greater detail versus overall picture is concerned. In the following paragraph I will explain why I have chosen to focus my telescope to the level of ‘national culture’.

### **2.1.2 National Culture**

The national-level of analysis has been chosen as national identity is seen as the result of the mental programming of a national population at the conscious level of practices - symbols, heroes, rituals (Hofstede, 1991). This common programming seems to happen as every state includes a number of institutions that standardise the mental programming of the population of that State. Some of the most powerful institutions could be political

parties, schools, armies, markets for certain products and skills and even television and radio programs.

Tayeb (1994) argues that 'culture' is often replaced by 'national character' and Adler et al. (1986) stressed that 'nation' and 'culture' have been used interchangeably in the cross-cultural literature. This approach might lead researcher to ignore national heterogeneity as Tayeb (1994) argues that it is only too common to overlook regional groupings as well as immigrant minorities that live within a nation. Unfortunately, this is surely a limitation of most studies - but although there might be substantial cultural variations within one national boundary (even gender/professions and generations differences), studies have demonstrated that there are greater cultural similarities within one national State than differences between this National State and other National States (Romani, 2011).

Other potential issues with the notion of 'national culture' are associated to the overlapping that often exists between national and organisational culture. Both Laurent (1983) and Hofstede (1980, 1991) conducted research studies to attest whether national culture was found to be affected by strong organisational cultures and both of them concluded that national culture was not found to be diminished by the culture of the working organisations. Adler (1997) and Hofstede (1991) justified the above findings providing two arguments: a) cultural values are acquired in early childhood and after 10 years of age are very difficult to eradicate/change, hence it is very unlikely that an external force (i.e. the organisational culture) could come to erase/modify them and b) employees might not want to comply with the values of a foreign-owned organisation and would therefore 'react' by reinforcing their own national identities (e.g. Laurent found that Italians in MNCs were becoming more Italians still!)



To conclude, although the notion of ‘national culture’ has been often criticised and although some limitations do indeed exist, national culture is still deemed to be a valid variable in most cross- national studies and will be used in this thesis.

## **2.3 The emergence of cultural clusters**

For simplicity of analysis and as a way to summarise and discuss their findings, a number of scholars have used their cultural dimension to place countries into clusters. A few of these ‘national cultural clusters’ will be reviewed hereafter.

### **2.3.1 Hofstede’s cultural cluster**

Geert Hofstede (1980, 2001), through a study that spanned several years, initially identified and used four ‘value dimensions’ to differentiate cultural preferences at the national level. In 1991, a fifth value dimension was added, in order to take into account the diversity of Eastern values (Hofstede and Bond, 1988). In the latest edition of Hofstede’s book (Hofstede et al, 2010), a sixth dimension was added, based on an analysis of the World Values Survey data for 93 countries carried out by Michael Minkov (2007). This new dimension has been called ‘Indulgence versus Restraint’ and - together with the Confucian dynamism value (the fifth dimension which contrasts Eastern versus Western cultures) - will not be used in the context of this thesis, as there isn’t sufficient data on many European Countries, as yet. An overview of the four main dimensions and the scores for both Italy and Finland will be provided before discussing how countries have been later clustered into cultural groups.

### **2.3.1.1 Power Distance (PD) in Italy and in Finland**

PD is seen as the '*Extent to which a society expects and accepts the unequal distribution of Power*' (1991:28). We know that power is never equally distributed but we also know that in some societies power is more unequally distributed than in others.

Organisations in Countries where PD is high will be characterised by a high vertical differentiation, more levels of hierarchy will exist and there will be a narrow span of control. Decision making is likely to be centralised and leaders are expected to hold power and control and will be obeyed and often even revered. Status and power act as strong motivators. In Countries where PD is low (e.g. UK), leaders are not expected to be too 'autocratic' and controlling, they are rather seen in a co-ordinating role. More time needs to be spent negotiating and trying to persuade subordinates.

"At 50 Italy sits in the medium rankings of PDI – i.e. a society that believes that hierarchy should be respected and inequalities amongst people are acceptable...In Italian companies it is normal for a high level manager to have special benefits that his subordinates have not...age is an important factor for one's career and is interesting to observe that the most powerful people, the prime minister and the president of the Italian Republic are generally quite old." ([www.geert-hofstede.com](http://www.geert-hofstede.com))

"Finland scores low on this dimension (score of 33) which means that the following characterises the Finnish style: Being independent, hierarchy for convenience only, equal rights, superiors accessible, coaching leader, management facilitates and empowers. Power is decentralized and managers count on the experience of their team members. Employees expect to be consulted. Control is disliked and attitude towards managers are informal and on first name basis. Communication is direct and participative." ([www.geert-hofstede.com](http://www.geert-hofstede.com))

### 2.3.1.2 Uncertainty Avoidance in Italy and in Finland

Hofstede defines Uncertainty Avoidance (UA) as “*Society’s discomfort with uncertainty, preferring predictability and stability*” (1991:113). It is the extent to which certain societies avoid risk-taking and ambiguous situations while others are more ‘entrepreneurial’ in spirit, more daring and less risk-avoidant. Organisations in Countries with higher scores in UA will generally display higher levels of formalisation, with a high presence of written rules and procedures; higher levels of specialisation, hence will favour specific and narrow job descriptions and job roles where technical competence is highly valued. Employees will be motivated by stability and security (i.e. a permanent contract) and the perceived traits of a good leader include the ability to effectively plan and forecast; the ability to grant stability and avoid unpredictable events.

“At 75 Italy has a high score on uncertainty avoidance which means that ...Formality in Italian society is important and the Italian penal and civil code are complicated with clauses, codicils etc. ...[although there is an]... apparent contradiction between all the existing norms and procedures and the fact that Italians don’t always comply with them. In work terms high uncertainty avoidance results in large amounts of detailed planning...” ([www.geert-hofstede.com](http://www.geert-hofstede.com))

“Finland scores 59 on this dimension and thus has a medium high preference for avoiding uncertainty. Countries exhibiting high uncertainty avoidance maintain rigid codes of belief and behaviour and are intolerant of unorthodox behaviour and ideas.” ([www.geert-hofstede.com](http://www.geert-hofstede.com))

### **2.3.1.3 Individualism versus Collectivism (I-C) in Italy and in Finland**

This value dimension was defined by Hofstede (1991:51) as the “*Extent to which individuals are expected to take care of themselves and immediate families*”. “The high side of this dimension, Individualism, can be defined as a preference for a loosely-knit social framework in which individuals are expected to take care of themselves and their immediate families only. Its opposite, Collectivism, represents a preference for a tightly-knit framework in society in which individuals can expect their relatives or members of a particular in-group to look after them in exchange for unquestioning loyalty. A society's position on this dimension is reflected in whether people’s self-image is defined in terms of “I” or “we.” ([www.geert-hofstede.com](http://www.geert-hofstede.com)).

Both Italy and Finland scored quite high in the Individualism dimension. “At a score of 76 Italy is an Individualistic culture, “me” centred, especially in the big and rich cities of the North... This dimension does vary in Southern Italy where less individualistic behaviour can be observed.” ([www.geert-hofstede.com](http://www.geert-hofstede.com)). Finland achieved a score of 63 meaning that there is a high preference for a loosely-knit social framework. The employer/employee relationship is a contract based on mutual advantage, hiring and promotion decisions are supposed to be based on merit only, management is the management of individuals.” ([www.geert-hofstede.com](http://www.geert-hofstede.com)).

### **2.3.1.4 Masculinity Versus Femininity (M-F) in Italy and in Finland**

Through this cultural dimension Hofstede measured the extent to which dominant values are either more ‘masculine’ or more ‘feminine’. By *masculine values*, Hofstede refers to *assertiveness, competitiveness and materialism* while he calls *feminine values* the values related to *nurturing, quality of life and relationships*. Preferences for

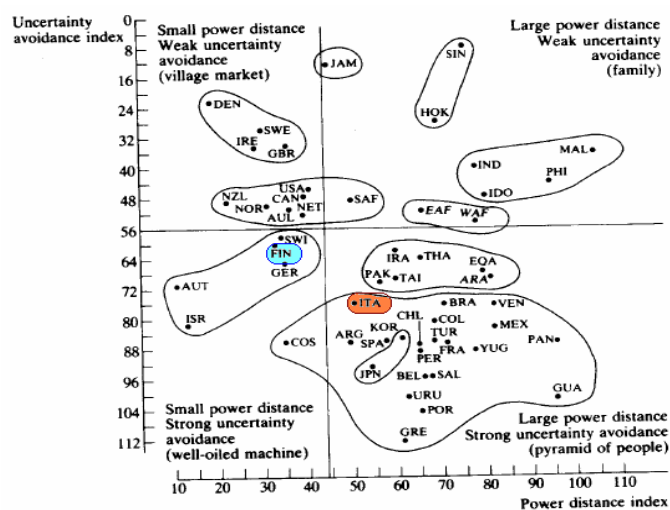
masculinity of femininity would be reflected on preferred management styles; with feminine societies appearing more nurturing and interested in the social side of the working relationship, placing more emphasis on quality of life and work-life balance and showing greater concern for social responsibility and employees' well-being; while masculine societies would rather be geared towards the 'acquisition' of material things, especially money, task accomplishment being their main ambition, to be achieved through great efforts, bottom-line profits are to be achieved at all costs. Preferences for either one side or the other side of the continuum could be expressed through the metaphor: "Live in order to work" (masculine value: ambition, need to achieve, to stand out) or "work in order to live" (feminine value: enjoying life is more important).

"At 70 Italy is a masculine society – highly success oriented and driven. Children are taught from an early age that competition is good and to be a winner is important in one's life. Italians show their success by acquiring status symbols such as a beautiful car, a big house, a yacht and travels to exotic countries. As the working environment is the place where every Italian can reach his/her success, competition among colleagues for making a career can be very strong." ([www.geert-hofstede.com](http://www.geert-hofstede.com)).

"Finland scores 26 on this dimension and is thus considered a feminine society. In feminine countries the focus is on "working in order to live", managers strive for consensus, people value equality, solidarity and quality in their working lives. Conflicts are resolved by compromise and negotiation. Incentives such as free time and flexibility are favoured. Focus is on well-being, status is not shown. An effective manager is a supportive one, and decision making is achieved through involvement." ([www.geert-hofstede.com](http://www.geert-hofstede.com)).

Hofstede also suggested that primary cultural determinants are related to the relationship between people in terms of power and status and to their relationship with nature, e.g. how control is exercised and uncertainty managed. Hence, he classed Nations according to their scoring on the following two -out of his five- cultural dimensions: PD and UA. By so doing, four National clusters emerged: (a) Anglo-Nordic; (b) Latin; (c) Asian and (d) Germanic, each showing typical and distinctive organisational structures, that he named (a) Village Market; (b) Pyramid of People; (c) Family and (d) Well-oiled machine respectively (See picture below). Here again, Italy and Finland show dissimilar traits. While Italy belongs to the “Pyramid of People” (large power distance and strong uncertainty avoidance), Finland appears among the “Well-oiled machine” Nations (small power distance and strong uncertainty avoidance):

**Figure 5 - Hofstede’s cultural clusters based on countries’ scores of PD and UA.**



In accordance with this classification, the Organisation in Italy resembles a hub with spokes around a powerful founder, power is centralised and functions are highly specialised. There is a dominant elitist culture and relationships are quite informal. Due to the importance of social roles and to the “personalised” style of relationships, a high

degree of formalisation is not needed; it is the expectations of their social role that will shape organisational members' behaviours.

In Finland, we should find a different scenario, where organisations are more decentralised and status is not as important as expertise in allocating authority and responsibility. There is a stronger sense of equality, consensus seeking and information sharing. Employees have got a more participative role in decision making. A higher amount of formalisation would be expected.

Finland and Italy have also shown a great dissimilarity in the F-M dimension, with Italy being very masculine and Finland very feminine. Knowing that man and women in feminine countries have the same unpretentious, caring values; and that in masculine countries women are more assertive and competitive -although not as much as the men- we can assume that Italian and Finnish employees will hold different sets of values. While achievement and recognition would be a top priority for Italians in the workplace, Finnish would rather demonstrate concern for social responsibility and would try to safeguard the well-being and the quality of working life of the workforce. Also, a more equal distribution of job roles, in the workplace and at home is expected.

### **2.3.2. Trompenaar and Hampden Turner's study and cultural classification**

Trompenaars and Hampden Turner (1997) together built on a cross-cultural survey that Trompenaars had started in 1984 and try to explain differences between cultures in a non-prescriptive way. They described culture as the way in which people solve problems and reconcile dilemmas and believe that every culture distinguishes itself from others by the specific solutions it chooses to universal problems or "dilemmas"

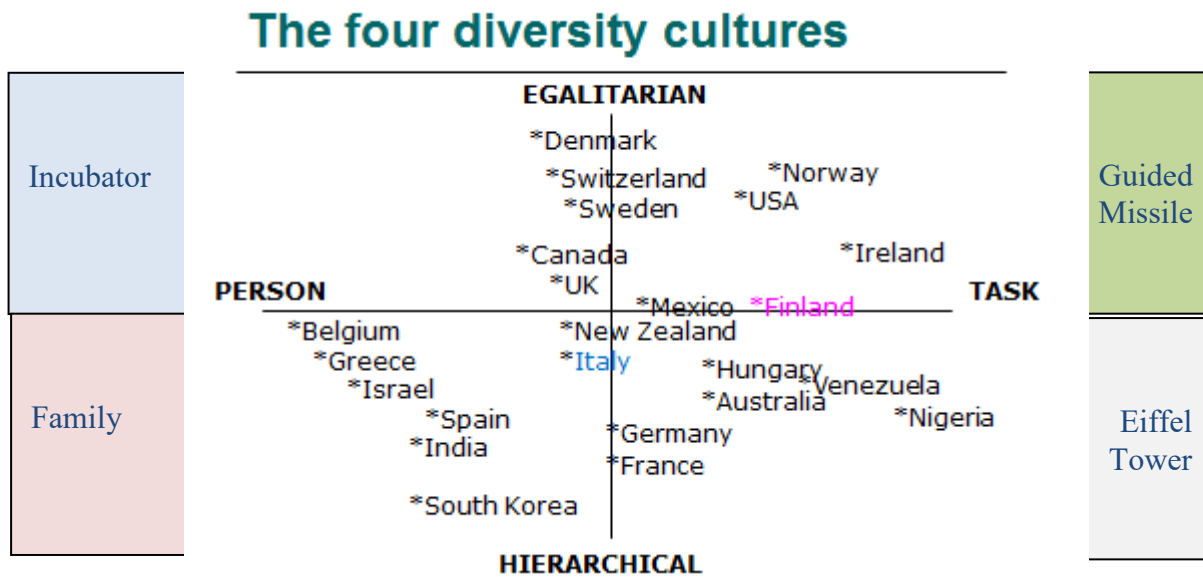
that might be arising from our *relationships* with other people or coming from the passage of *time* or that relate to the *environment*.

Trompenaars and Hampden Turner (1997) extended their initial study and developed two dimensions to map Countries along two axes: (a) relationships between employees and organisation and (b) acceptance of hierarchy. Countries were positioned according to their orientation towards either task or relationship on the one hand, and to their propensity towards centralisation or egalitarianism, on the other hand. The authors came up with four different clusters that were named: *Incubator* (characterised by a personal and egalitarian orientation with little or no formal structure and emphasis on self-fulfilment and self-expression. The incubator tends to excel in innovation); *Guided Missile* (characterised by task-orientation, egalitarianism and individualism; capable of adapting quickly); *Family* (characterised by a hierarchic structure where power differentiation is important and the leader assumes a paternalistic role) and *Eiffel Tower* (hierarchical and with well-defined roles and relationships).

Italy belongs to the “Family” cluster (relationship oriented and quite hierarchical) while Finland belongs to the “Guided Missile” (task focused and egalitarian). Once again, main differences between the two Countries would include: the vertical differentiation within organisations, the inclusiveness versus exclusion of employees in decision making, the formal versus informal networks and the political versus neutral nature of relationships.



Figure 6 - Cultural clusters by Trompenaars and Hampden Turner (1997)



### 2.3.3 Hall and Hall

Unlike the cultural studies discussed above, Hall and Hall (1990) do not provide a ranking of different countries and based their work entirely on qualitative insights. A key element of his theory is *context*, which refers to the framework in which communication takes place. The following summary highlights the problems facing low-context North Americans when they interact with people from high-context cultures. Hall and Hall differentiates between high and low context cultures.

They depict low-context cultures (including North America and most of Western Europe) as being logical, linear, individualistic, and action-oriented. Here people value facts and straightforwardness. Problem solving equates to analysis and evaluation of a situation and final decision will be based on facts rather than on intuition. All communicators are expected to be direct, brief, and effectual when passing on a message. Words tend to be used literally and the speaker normally means exactly what he says.

High-context cultures (including South America, Asia and most of the Middle East) are more collectivist, instinctive, and introspective and tend to give emphasis to interpersonal relationships. To use Hofstede's (2001) terminology, these cultures are collectivist and attribute high value to the development of a trustful relationship that lasts over time. Communication tends to be more indirect and the words used are not as important as the context in which communication takes place. Other elements, such as facial expression, the speaker's tone of voice, gestures, posture may be more important than what is said in order to understand the message that the communicator is trying to convey. Hall (2000: 214) summed up differences between 'high and low context communication' as follows: "a high-context communication or message is one in which most of the information is either in the physical context or internalized in the person, while very little is in the coded, explicitly transmitted part of the message...A low-context communication is just the opposite; e.g., the mass of information is vested in the explicit code". He then concluded that no culture exists exclusively at one end of the scale, as some are high while others are low.

Hall and Hall (1990) explain that in low context cultures feelings and thoughts are expressed in words, there is less ambiguity and it is easy to access information. In high context cultures it is more difficult to understand the message that is being communicated, as it is assumed that most information is already in the person and in the context and greater reliance is placed on informal, subtle and face-to-face communication methods.

Communication between high and low context cultures might give way to numerous misunderstandings and can create conflict, as while people from low-context countries might expect to be spoken to clearly and openly and in a straightforward way, people from high context would find it hard to be direct and explicit and would always leave a

great part of the message to the ‘intuition’ of the recipient. Finding a balance between these two styles of communication can be complex, as too much information might lead people to think that they are being talked down to while too little information can confuse them or isolate them (Hall and Hall, 1990).

Copeland and Griggs (1986) classed Countries on the basis of their high versus low context of communication. Finland was classed as a ‘low context’ culture, where verbal communication is paramount — “a word spoken is a message delivered”; while Italy belongs to the ‘high-context’ group and Italians place more emphasis on ‘interpersonal chemistry’ and body language. This would imply that communication between Finns and Italians is not too straightforward and that potential for misunderstandings and conflicts exists.

#### **2.3.4. Cultural theories under scrutiny**

Cultural theories, over the years, have received their fair amount of criticism. Although Hofstede’s theory continues to be considered one of the most influential cultural studies to date and continues to be widely used in both management research and practice, as it has succeeded to tap into deep cultural values (hence is still to be considered as a very reliable and valid framework that allows for significant comparisons to be made between national cultures, be it only, as Westwood and Everett stated (1987:201) to be used “...heuristically as a starting point for further investigation of culture and cultural variations, particularly for more qualitative research and analysis”) a number of weaknesses have been identified. These range from the *sample* chosen, i.e. can IBM employees, mainly white collar people and proceeding from a certain social class, working for only one American-owned MNC be representative of one country’s values? (Robinson, 1983; Tayeb, 1988; Smith, 1996); to the *measurement* used, i.e. how

grounded is the statistical analysis that was conducted? And is the study replicable? (Dorfman and Howell, 1988; Yeh, 1988; Yeh and Lawrence, 1995; McSweeney 2002); to the *methodology* itself, Tayeb (1996) contends that an attitude-survey questionnaire is the least appropriate way of studying culture (however, it can be argued that for comparative purposes involving many countries this approach is highly efficient); to the possible *time constraints* of the research study itself, as Hollinshead and Leat (1995) suggest, since his initial study took place, an ‘evolution’ of cultural values has been observed, i.e. a marked trend towards greater scores of both Individualism and Masculinity. The study has also been criticised for having a *western bias*, as the initial team of researchers was composed by ‘westerners’ who would have been influenced by their western values in both design and analysis of findings (Roberts and Boyaciller, 1984; Baskerville 2003; Magala 2004; Osland & Bird 2000).

Gooderham and Nordhaug (2003) conducted a study using some of Hofstede’s questions and argue that globalisation seems to also involve the dissemination of ideas and values. Within Europe we also find the added pressures to conform exercised by the European Union. As a result, they found a significant convergence of values across Europe, interestingly, only Norway, which has refused to join the Union, is not ‘converging’ as much as the other European countries analysed. This would imply that, contrary to Hofstede’s stance, who believed in the idiosyncrasy of national management systems, there could be increasing scope for pan-European management systems. Gooderham and Nordhaug and a few other researchers (Baskerville 2003, Harrison & McKinnon 1999, McSweeney 2002a, Myers & Tan 2002) also commented on the *national culture determinism* approach of the study, that might prevent from noticing other forms of identity (e.g. Gooderham and Nordhaug’ study demonstrated that

respondents might identify more with age or gender than with national culture traits).

Finally as McSweeney (2002a: 112) posits:

“Hofstede’s claims are excessive and unbalanced; excessive because they claim far more in terms of identifiable characteristics and consequences than is justified; unbalanced, because there is too great a desire to ‘prove’ his a priori convictions rather than evaluate the adequacy of his ‘findings’. The limited characterization of culture in Hofstede’s work, its confinement within the territory of states, and its methodological flaws mean that it is a restrictor not an enhancer of understanding particularities. The identification claims are fundamentally flawed and the attribution of national level actions/institutions to national cultures is an easy but impoverishing move”.

### **2.3.5 Summarising cultural theories and their implications for IHRM**

Hollishead (2010) posits that “powerfully intuitive connections” (p.37) exist between cultural clusters identified by various theorist (as above discussed) and the various manifestations of HRM that have been observed across nations. He also highlights that although it has not been possible to empirically prove the interrelationship between the two things, a number of organisational practices can be regarded as being strongly influenced by culture, a few examples might include:

- Preferred organisational structures – flat versus tall; consultative versus authoritarian (related to different ways of relating to Power);
- Recruitment – whether based on merit or nepotism (related to collectivism versus individualism; achievement versus ascription; high versus low-context);
- Pay – whether it is individually determined (collectivism versus individualism) - and I would add rewards packages as motivational strategies;
- Level of statutory regulation in employment (Uncertainty Avoidance);
- Maternity, paternity, childcare provisions and so on (masculinity versus femininity; survival versus self-expression).

Budhwar and Debrah (2001:507) purport that it is important to take into account processes and aspects of national culture that are of particular relevance for comparative evaluations. Drawing from previous studies authored by Hofstede (1983, 1993); Keesing (1974); Schein (1985); Sparrow and Hiltrop (1997); Terpstra and David (1985); Van Maanen and Schein (1979) and Whitley (1992), they provided the following list of vital processes/aspects of national culture:

1. “The socialisation process through which managers are ‘made’;
2. The basic assumptions which shape managers’ behaviour;
3. Their common values, norms of behaviour and customs;
4. The influence of social élites or pressure groups unique to a country; and
5. The unique ways of doing things and management logic in a particular Country, which are reflective of the broader national business system.”

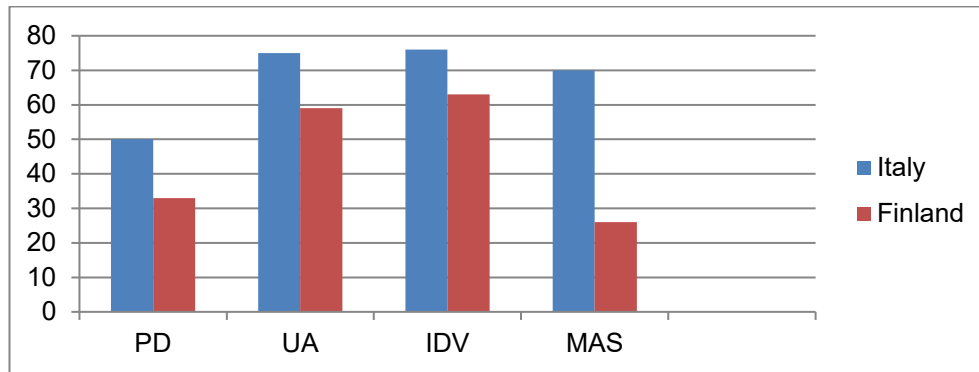
It is hence safe to conclude that national culture exerts a very strong influence on the way managers behave, on what management practices are considered to be acceptable in a given country and consequently on the way HR policies and practices are chosen in a given country.

#### **2.4 The cultural case: How much do Finland and Italy really differ? Implications for HRM**

*All the cultural studies so far reviewed, also make it safe to conclude that Finland and Italy are culturally distant Countries and that their cultural difference will be reflected in their choice of HR policies and practices.*

Although both Countries achieved somewhat similar scores in two of the Hofstede's dimensions (Individualism and UA), they do differ quite significantly in the other two dimensions (see figure below):

**Figure 7 - Hofstede's cultural values, scores in Italy and Finland.**



Finland scores quite low on PD (33), indicating a preference for a decentralised management approach, where subordinates are consulted and 'involved' in a participative manner, the PD score is higher in Italy (50), subtending the preference for a more autocratic approach to management and to HR and less delegation (devolvment). The UA score for Finland is medium-high (53), indicating a preference for avoiding risks by having a solid control mechanism in place. Italy is characterised by an even higher UA (71), having a clear preference for HR policies and practices that eliminate uncertainty at all costs (e.g. high employment/job security, formal systems of HRM, internal promotion etc...). Another great point of difference between Finland and Italy is their score in the Masculinity versus Femininity dimension, with Italy being very masculine (70) and Finland being very feminine (26). As previously discussed, in Italy HR practices would be more overtly encouraging of competition and reward by maintaining status differentiation through awarding status symbols, while Finnish practices would rather include a reward management that allows for more flexibility and equality (mainly in the form of greater employee involvement).

As highlighted earlier, primary cultural determinants of organisational structures and of HRM choices in organisations are to be related to the power relationships between people (PD) and the relationships between organisational actors and nature (UA), affecting the way control is exercised and uncertainty is managed (Hofstede, 1980, 2001). Italy and Finland achieve quite different scoring on these two dimensions and have hence been separated into two different clusters: “Pyramid of people” and “well-oiled machine” respectively (see figure 5). Italy, as part of the ‘pyramid of people’ cluster (high PD and high UA), is expected to have more centralised control strategies and highly specialised functions (i.e. HR) and to follow a ‘personalised’ style of relationship in the workplace. Finland, on the other hand and as part of the ‘well-oiled machine’ cluster (low PD and high UA) is expected to adopt a more decentralised management style and make less use of highly specialised functions. Here consensus seeking and information sharing are considered important. More employee participation in decision making is also expected.

The above cultural traits have also emerged in the other cultural studies reviewed, taking Trompenaars and Hampden Turner’s (1997) cultural theory into account (see 2.3.2), Italy belongs to the “Family” cluster (relationship oriented and quite hierarchical) while Finland belongs to the “Guided Missile” cluster (task focused and egalitarian). Once again, main differences between the two Countries would include: the vertical differentiation within organisations, the inclusiveness versus exclusion of employees in decision making, the formal versus informal networks and the political versus neutral nature of relationships.



According to Hall and Hall (1990, 1995) and Copeland and Griggs (1986) we are expecting to see more explicit channels of communication in the ‘low-context’ Finland and more implicit messages in the ‘high-context’ Italy.

And, finally, according to the WVS (Inglehart and Welsel, 2005) we would expect to be more attached to traditional values in the Catholic European cluster Italy belongs to and the presence of more secular-rational values in the Protestant European countries Finland is part of.

The cultural distinctiveness of these two countries is quite strong and with a sound theoretical underpinning that supports the research propositions advanced in the present study. In table 6 the author offers a summary/interpretation of current literature on the effect of cultural values on Finnish and Italian functional areas of HRM.

**Table 6- The effect of cultural values on Finnish and Italian functional areas of HRM**

<b>HRM Strategies and Practices</b>	<b>Impact of Cultural Context</b>	<b>Implications for Finland and Italy</b>
<b>Formulation of HR strategies</b>	<p>In Well-oiled machines, (High UA and low PD)→much more formalisation, strategies are spelled out and written.</p> <p>In countries characterised by low-context communication, there is more need to outline and specify policies and practices.</p> <p>In Pyramids of People (High UA and high PD) → employees’ social roles will shape their behaviours, no need for a high degree of formalisation or written policies.</p> <p>In countries characterised by high-context communication, there is less need to outline and specify policies and practices.</p>	<p>Finland: Spelled out and written strategies</p> <p>Italy: Strategies are present but not made explicit through being written down</p>

<b>‘Devolvement’ of HR (Role of the HR function)</b>	Countries with low PD tend to devolve/share more decision-making to line managers	In Finland HR is more devolved to line managers.
<b>Recruitment and Selection</b>	<p>In ‘Trompenaars’ achievement-oriented countries employees are hired on the basis of their skills, knowledge and talent The well-oiled machine cluster is characterised by clearly and narrowly outlined job descriptions</p> <p>In Trompenaars ascripted-oriented cultures, gender, age and personal relationship (family background) are determining hiring criteria (Francesco and Gold, 2005: 149) The Pyramid of people cluster is also described as favouring a “personalised style” of relationship, indicating that ‘fit’ with the organisation is searched (Schneider and Barsoux, 2003)</p>	<p>In Finland more formal and objective R&amp;S methods are preferred, e.g. newspaper advertising, references, panel interviews.</p> <p>In Italy more informal and ‘subjective’ methods of R&amp;S are preferred, e.g. word of mouth, one-to-one interviews as the main (and sometimes only) selection method.</p>
<b>Performance Appraisal and Compensation</b>	<p>Important variations across countries include how people should be appraised and by whom (Fenwick, 2004). 360-degree appraisals are welcome in countries with low PD and achievement-oriented; but are not so popular in countries with a higher PD and/or ascripted-oriented, as they might constitute a loss of face/status.</p> <p>Countries with low PD and high Femininity prefer to use more ‘democratic’ and ‘participative’ reward packages. In countries with high femininity, one way of rewarding employees is through providing a better work-life balance (work in order to live) and very often a greater range of flexible working arrangements is offered.</p> <p>In high UA and high PD countries, compensation tends to be fixed and based on seniority.</p>	<p>Finland favours 360-degree appraisal systems; while Italian organisations prefer to involve only the direct supervisor.</p> <p>In Finland: More variable pay options or more flexibility (e.g. profit-sharing) will be offered to employees.</p> <p>In Italy employee financial participation is not contemplated.</p>
<b>Training and</b>	Main differences involve: the	In Finland, training initiatives

<b>Development</b>	relation between the trainer and the trainee (Francesco and Gold, 2005; Schneider and Barsoux, 2003) related to variation in PD; and the involvement of employees in establishing training needs (with more involvement in more ‘egalitarian’ and ‘feminine’ countries)	are a result of joint consultation between managers and employees;  In Italy, training initiatives are advanced by management with little formal consultation with other parties involved (e.g. employees).
<b>Employee Relations and Communication</b>	<p>This area is more affected by institutional constraints than by cultural preferences and will be discussed more in detail in the next section. Nevertheless, communication is more directly related to cultural preferences.</p> <p>In ‘low context’ countries communication becomes more detailed and explicit as opposed to high-context countries</p> <p>In ‘egalitarian’ countries (low PD) channels of communication are more formalised and democratic, with employees being more informed.</p>	<p>In Finland, communication channels are more formalised and important information (such as company’s strategy and organisational performance) are shared with employees, who assume a more ‘participative role’</p> <p>In Italy only managers would be involved in the ‘communication’ loop and there are no formalised strategies for information-sharing.</p>

The HR areas that have been identified as being ‘different’ as more strongly affected by cultural preferences of Italy and Finland are the areas that are investigated in the CRANET questionnaire and that will be investigated in the current study. The above analysis will directly inform the research propositions introduced in the next chapter.

In the next paragraph, the most prominent and more recent institutional studies will be reviewed with the aim of showing that besides being culturally different, Italy and Finland appear to be -in the literature- institutionally different too.

## **2.5 Institutional Theories**

‘Institutionalism’ is often seen as the antithesis of ‘culturalism’ as it argues that what shapes HR systems is not necessarily a mental program, but rather a series of ‘systems characteristics’ that can go under the umbrella of ‘institutions’ (Sorge, 2004). Sorge argues that even when deciding to take into account mental programming, and assuming that we looked at two nations with pretty much the same mental program, ‘different rules of the games’ (p.122) would make individuals in those nations move in different directions. The same author takes Japan as an example and claims that the distinctiveness of Japanese HR practices might come as a result of the construction of labour markets, industrial relations, career systems etc., rather than the outcome of their cultural values and beliefs. For Sorge (2004:125) this is institutionalism in a nutshell: “stable and interrelated patterns prevail over time; any educational or training arrangement will be interdependent with a corresponding organizing, industrial relations, occupational structure, social stratification etc. arrangement. They tend to come together”. Here by institutions we refer to “the humanly devised constraints that structure human interaction” (North, 1990:3) through both formal and informal constraints (the first being formal rules such as regulations and laws; the latter referring to norms, habits and culture).

Brewster et al. (2011) talk about institutional theory drawing from a view that comes from the socio-economics area leading to the belief that: “organisations operate within a specific political, economic, social and technological environment largely determined by history. In order to be effective in that environment these organisations need to manage in ways that recognise the local circumstances and create and sustain legitimacy with key stakeholders” (p.78). This would mean that organisational strategic decision-making is conditioned by strong social ‘pulls’ from both within and outside

organisations. Rowley et al. (2011) argue that in the case of IHRM, social forces may act as a constraint on the degree of international transfer of HRM, their argument is supported by Hoffman's (1999:351) when he states that the HRM system adopted by the MNC is not entirely based on its strategic decision-making power, it "is seen not as a choice among an unlimited range of possibilities determined by purely internal arrangements, but rather as a choice among a narrowly defined set of legitimate options".

Di Maggio and Powell (1983) identified three main 'isomorphic pulls' that limit the array of choices by exerting strong pressures on organisations, these forces or pulls were named: *coercive* – related to the pressures of external institutions, e.g. the State and legal and cultural environments; *mimetic* – that occur as a response to uncertainty, when organisations model themselves on similar organisations in their environment that are perceived as successful; and *normative* – when isomorphism stems from educational institutions or professional organisations that disseminate best practice (e.g. SHRM).

Building on Di Maggio and Powell's work, Scott (2008) provided an integrated model of institutions that rely on three main "pillars": the regulative, the normative and the cognitive pillars. The regulative pillar is embodied by the government and its legislative and punitive power; the normative pillar rests on values and norms that are mirrored in rules and social prescriptions and can create social expectations and moral obligations, its forces conditioning people's behaviours, while the cognitive pillar is more strictly related to national culture and beliefs that inform individuals' and organisations' behaviours.

Both Di Maggio and Powell and Scott have as their starting point the belief that institutional pressure is always determined by legitimacy purposes: to ensure their survival, organisations have to find practices and policies that will be accepted and legitimated by actors in their operational context.

National context is seen as a catalyst of institutional pressures, with institutional factors being specific to each different nation- and firms operating in the same context/national boundaries are found to display similar HR practices, possibly due to the ‘mimetic’ attempt to gain legitimacy in the local environment but mainly because of the similarity of external pressures for them to do so (Rosenzweig and Nohria, 1994; Di Maggio and Powell, 1983; Strauss and Hanson, 1997).

Years of research in the field have provided a number of perspectives and frameworks to help us gain a deeper understanding of institutionalism and institutional differentiation amongst countries.

Hollinshead (2010) argues that institutions can be stronger or weaker in different societies and that they can interact in different manners. He believes that an important distinction has to be made between different institutional arrangements and the different role attributed to the State in various countries. In his analysis, he presents three main ‘ideologies’ that would underpin nation’s behaviours: neo-liberalism, neo-corporatism and Marxism (or socialism). A very brief account will now be provided on these main lines of thought as they are thought to be driving forces in establishing organisation’s responses to different environments.

Hollinshead and Leat (1995) define neo-liberalism as a perspective that believes that economic structures should be 'deregulated', should be subject to little State intervention and be allowed greater autonomy and freedom to manage according to the logic of the market. Public (state-owned) industry and Trade Unions are not looked at with a good eye, as they may impinge on the 'free-market' belief. Other academics (Edwards et al, 2005; Halls and Soskice, 2001) have named economies that follow this principle "Liberal Market Economies" (LMEs), good living examples are the US and the UK, where, amongst other things, since the 1980s a great move towards privatisation and limitation of welfare provisions have been reported.

Hollinshead (2010) also offers the argument that since the global financial crisis, the principles of the neo-liberalist doctrine have been questioned and, at present, advanced industrial nations are seeking a 'new global financial structure' (p.25), implying that the neo-liberalist philosophy might soon be replaced or reformulated.

Neo-corporatism can be seen as a diametrically opposed perspective to neo-liberalism, as here the role of the State is vital in mediating the interests of different groups, especially those groups that deal with capital and labour. Trade unions are 'constructively engaged' while government moderates market forces and invests heavily in public and social expenditure. As Hollinshead and Leat (1995) argued, the uncontrolled, 'free-economies' of neo-liberalist belief might produce inequalities within societies, creating 'winners' and 'losers' and this might ultimately backfire against organisational effectiveness and competitiveness. Behind neo-corporatism we find instead the principle of 'social partnership', a 'stakeholder' rather than a 'shareholder' model, very much alike the ones used in Germany and Scandinavia. Economies guided

by these principles have also been referred to in the literature as ‘Co-ordinated Market Economies’ or ‘CMEs’ (Edwards et al, 2005; Halls and Soskice, 2001).

Finally, the Marxist perspective is an ‘anti-capitalist’ perspective. Marxists, as Leat (2007) summarised, condemn capitalism for having one main purpose: that of making profit (from the exploitation) of the employment resources. Exploitation generally occurs when company makes surplus profit as it means that employees are paid less than the value of their product. Marxist ideas are summed up by Giddens (2006:114) as creating societies fragmented by economic and class inequalities and argue that

“Modern societies as we know them today (capitalist societies) are of transitional type – we might expect them to be radically re-organised in the future.”

It is evident that Marxism is very critical of neo-liberalism and of free market economies, which generate insecurity of employment and intensification of work. Marxist ideologies are still very popular in Eastern Europe, Russia, China and in Latin America.

Brewster et al. (2011) argue that institutional theory as it is viewed by the socio-economic school (see above) can be divided into three main schools of thought. They cite Wood and Lane (2011), who defined these schools as: ‘*the variety of capitalism literature*’, the ‘*business systems*’ theory and ‘*regulationist*’ thinking. A common tenet is that organisations are embedded in their societies; this entails receiving the support as well as being subject to the constraints of the socio-economic-cultural context in which they operate. Below an account and critique of the VoC and the business system models will be presented.



### 2.5.1 The Variety of Capitalism (VoC) School

Before talking about variety of capitalism, it is incumbent to provide a brief introduction to capitalism. One good definition has been advanced by Hyman (2004:412) and it points “to three inter-related features of economic order: productive resources are in private ownership; work takes the form of waged employment; and goods and services are allocated through market mechanisms”. Somehow, it originated as a controversial antithesis to communism in the 1950s and a ‘pure’ form of capitalism is more an archetype than a reality.

As Hyman (2004) purports in real life even in the most ‘capitalistic’ states private and public ownership co-exist as well as waged labour and unpaid work or self-employment and as well as market and non-market allocation mechanisms (i.e. welfare systems and public services). In every state, institutions will be subject to national variations and will be embedded in the local context, hence they will diverge in varying degrees from this ideal-type. Hence why theorists (as explained below) have started to differentiate between existing varieties of capitalism.

The first ‘school’, **the variety of capitalism (VoC) literature**, acknowledges that since markets are institutions which are governed by rules and since rules do vary from countries to countries, different types of capitalism will be found in different nations.

Hyman (2004) provides an account of one of the first model of VoC, Michel Albert’s. Albert (1993), in ‘*Capitalisme contre Capitalisme*’ identified two main distinctive types of Capitalism which he named “Rhineland” (common in Germany, France and a few other Western European regions) and “Anglo-American” (typical of the Reagan’s and Thatcher’s economies in the US and in the UK).

Key points of difference between the two regimes can be seen in: a) their view of what the primary responsibilities of management should be, with a ‘shareholders’ perspective’ favoured by the Anglo-American capitalism and a ‘stakeholders’ perspective’ (that also includes employees’ representatives) preferred in the Rhineland model; b) the most commonly used sources of finance: stock market in the Anglo-American and institutional investors in the Rhineland model; c) the time perspective of investments: short versus long in the Anglo-American and the Rhineland model respectively and; d) the restraints on takeovers: low versus high in the Anglo-American and the Rhineland model respectively. Hence why the first regime is also called “shareholder economy”, focused on profit for the investors and the second has been also called “stakeholder economy”, which tries to take into account the interest of all parties by putting in place an efficient system of social security and a more regulated market.

Hall and Soskice (2001) argue that the VoC stance takes a firm-centred approach and locates the firm in its relationships with stakeholders, employees and other firms. They believe that institutional subsystems are ‘complementary’ and deeply embedded in their own context as finance, labour/education and innovation systems are interdependent and that past customs and history lay the foundation for what is possible/legitimate in the future (path dependency). They identify two main types of capitalist structures: LMEs, and CMEs. These go back to Albert’s dichotomies in that they reflect the Anglo-American and the Rhineland regime respectively (Albert, 1993) and are seen in ‘static terms’, as while acknowledging the dynamism and constant state of change of LMEs they deny the same level of ‘plasticity’ to CMEs (Lane and Wood, 2009).

Table 7 (below) also illustrates some of the implications of LMEs and CMEs for HRM, such as the role and the amount of detail and interference of employment legislation (Brewster et al., 2011).

**Table 7 - Coordinated versus Liberal Market Economies.**

<b>LMEs</b>	<b>CMEs</b>
The economic actors have greater autonomy	The economic actors have less autonomy
Interest and power of capital will dominate	Interest of capital less likely to dominate
Relationship between labour and capital will be voluntary, self-regulating and constrained only by the market	Relationship between labour and capital will be regulated The decisions of the economic actors will be subject to collective and moral concerns
Employment legislation put few constraints on kinds of contracts that can be applied in the workplace	Employment legislation determines important elements of contract (working hours; holidays; non-discrimination; job security; communication rights)
TUs have fewer members and are weak	TUs often well supported, are influential
External Labour markets predominate	Internal Labour Market preferred (people stay with same employer)
Education, training and welfare rely on private sector (or are absent)	State supports education and Training
Few limitations on hire-fire	State is responsible for welfare provisions

Although institutions are slow to change, and are embedded in social structures and processes, they slowly evolve with history and practice (Hall and Soskice, 2001), this has been proved in various occasions, two of the most representative being the

‘modernisation’ of Chinese communism and the rise of China as a “capitalist” economy and the fall of the Berlin wall.

#### **2.5.1.1 Italy and Finland**

Hall and Soskice (2001:19–20) allocate six ‘Anglo-American’ countries to the LME camp, (the UK, the USA, Australia, Canada, New Zealand and Ireland) and 10 mainly European countries – with the exception of Japan- to the CME camp (Germany, Japan, Switzerland, the Netherlands, Belgium, Sweden, Norway, Denmark, Finland and Austria). While Finland displays most of the characteristics of a CME, Italy is not present in their classification and the authors themselves acknowledge that some Countries, e.g. Italy, do not fit either of their ideal-types.

Italy concomitantly displays some of the features attributed to CMEs (such as a weak role of the stock market; a high level of rigidities in the labour market; an industrial relations system characterised by a medium-high level of institutionalisation and strong tripartitism both in economic and social policies) as well as some of typical features of LMEs (such as the financing of firms –especially SMEs- that rely on self-financing and short term loans by banks); all characterised by an idiosyncratic model of industrial relations, where a high number of disjointed collective organisations struggling with a confusing system of trilateral negotiations which is largely reliant on neo-voluntaristic practices (Trigilia and Burrone, 2009).

Italy is not the only country that poses problems in its ‘categorization’ within Hall and Soskice’s theory, and the VoC literature as a whole has received its fair share of criticism. Representing institutional contexts by means of an archetypical dichotomy is considered too simplistic as an approach. To this purpose, more recently, scholars have

explored a few ‘hybrid’ cases. Hancke’, Rhodes and Thatcher (2007) presented a ‘Mediterranean’ VoC as well as a capitalist model applicable to countries in Central and Eastern Europe. The traits of the ‘Mediterranean capitalism’ are consistent with Rhodes and Apeldoorn (1997) initial analysis that had identified the following main features: the presence of a large agrarian sector (Rhodes, 1997); a past tradition of far-reaching state intervention with an increasing liberalisation of the labour market. Nevertheless even the Mediterranean model still fails to fully explain the institutional context of Italy and Spain, as will be discussed below.

Hall and Thelen (2009) presented a new archetype, the “Mixed-Market economies” (MMEs), which can be taken as representative for some southern European countries (including the Mediterranean) and France. MMEs display two main features: a) high employment protection and b) limited social protection (Molina and Rhodes, 2007). Although the MMEs model had been strongly criticised for lacking an institutional framework capable of maintaining their competitive edge (Amable, 2003), with some scholars believing that pure systems (CMEs and LMEs) would perform much better (Hall and Gingerich, 2004), it has raised an awareness of the importance of understanding systems that significantly differ from the CME/LME archetypes, e.g. Italy.

Trigilia and Barroni (2009) claim that even the MME model (as well as the VoC model on the whole) does not reflect the Italian institutional and political context and offer some reasons to justify their stance: Firstly, too many intra-national differences (Whitley, 1999) justify the use of the term “regionalised capitalism” characterised by a competitiveness which relies on a “networked economy based on relational capacities” (p.633/4). The same authors argue that in Italy there are deeply rooted and persistent regional differences in terms of the organisational structure of firms, with large firms

only located in the north-west (the industrial triangle between Milan, Turin and Genoa), and clusters of small firms originally located in the centre and later in the north-western area (industrial districts) and the largely non-industrialised Mezzogiorno (the south). This is not to say that a regionalised approach overrides the importance of national institutions, which remains strong although *mediated by* regional institutions. Secondly, even the many changes and reforms that have been introduced in Italy in the last 25 years - namely in the areas of financial market regulation; labour market (where flexibilisation has occurred through the growth of atypical and temporary contract, albeit not weakening the national CB system) and training and educational systems have not brought the Italian system any closer to either a LME or a CME model. Della Sala (2011) agrees that Italy does not fit neatly into any of the models of capitalism in that, even if Italy displays many of the traits of CMEs, it differentiates itself from these because of the lack of some important elements such as “active labour market structures, cohesive social partners and strong political institutions”, hence he argues that: “taken together, the various elements of Italian capitalism constitute...what might be called ‘dysfunctional state capitalism’” (p.1042).

To shed light on the complexity of the Italian situation it is important to understand the historical and political reasons that have led to this fragmentation. To summarise Trigilia and Burroni’s (2009) detailed account of the historical roots of this peculiar form of capitalism, it can be said that the first wave of industrialisation in Italy arrived at the beginning of the twentieth century and only invested the North-West, giving rise to the ‘Italian Fordist model’. This was made possible by the fact that this area had already developed good infrastructures and services, including good technical schools which provided a skilled workforce while at the same time a deep-rooted industrial culture was widespread. The role played by the State was also non-negligible as new

policies towards the liberalisation of the economy were approved, while at the same time state enterprises were strengthened so that cost of raw material and energy could be kept low. The political party dominating at the time (Christian democratic) was supportive of entrepreneurs and unfavourable to unions, hence new fiscal and labour policies with an 'employer bias' were advanced. The industrial triangle was seen as a 'post-war' miracle and attracted a huge number of immigrants from the south. This gradually created an unskilled and unprivileged working class. This new situation called for the development of a more effective welfare state, an issue that had to be tackled at national rather than at local level.

The early 1970s were characterised by industrial and social conflict, where unions asked for improved working and social conditions. Although the State responded to these demands, this was done without a complete restructuring of the existing policies that still favoured employers, leading to a 'compromis' that increased expenditure but not revenue (as higher taxation was rejected), this substantially enlarged the national public debt and brought about inflation and devaluation (a problem that is still plaguing Italy to this date).

If it is true that big 'fordist' firms in the sectors of automotives (e.g. Fiat), mechanical engineering and chemicals were mainly located in the north-west, it is also true that they were not the only source of competitiveness for Italy as, especially during the times of industrial crisis, most of the national revenues started to proceed from the 'Third Italy', the centre and north-eastern regions, which had witnessed the growth of an increasing number of small firms. These local system of small urban firms took the form of an 'industrial district', characterised by sectorial specialisation (mainly in the sectors: of furniture, textiles and clothing, footwear and ceramics) and horizontal integration, where "production takes the form of a decentralised process and requires a high level of collaboration between specialised subcontractors and buyer firms" (Trigilia and

Burroni, 2009:638). In this case the local factors which the industrial districts rested upon are again to be found in: a) the local historical background (the configuration of these centres as communes in the medieval times, with a tradition of craftsmanship and commercial practices); b) the good quality of the local technical schools; c) the social configuration of the area (with strong family ties and the vital role played by the extended family in sharing financial risks as well as in taking responsibility for the younger and the elderly); and finally d) a political outlook that affiliated itself either to the Catholic party or to the socialist/communist party but in a non-conflicting way, in a way that rather promoted social integration. Here “industrial relations developed on a cooperative and localist model based on territorial agreements....local governments in turn provided social services favouring labour flexibility (daycare centres, transport, housing) and often provide economic services and infrastructures...while fiscal protection also favoured small firms” (Trigilia and Burroni, 2009:639).

Trigilia and Burroni (2009) purport that in the last decade, the Italian capitalist system has been subject to a number of substantial changes, such as the increase of global competition (mainly coming from areas that specialised in the same sectors as Italy, e.g. China); the adoption of the Euro (that made it impossible to recur to devaluation), the attempt to privatise and liberalise some service sectors (still limited to date); and the implementation of some national policies aimed at boosting the economy. The same authors argue that new government initiatives tackled three main areas: more flexibilisation of the labour market; more financial incentives to private firms and an incremental reform of the welfare system. These policies have been successful in decreasing the unemployment rate but have achieved very little in the way of improving the coordination between local and national public actors and in creating links between national institutions, such as universities, and private firms (p.642). Nevertheless, although in the midst of a substantial restructuring, the regionalisation of the Italian



VoC is still resilient (Triglia, 2005; Crouch et al. 2004), if only it has become more organised and the model of the Third Italy has become more wide-spread, expanding to both the South-coast (especially along the Adriatic coast) and into the industrialised triangle of the north-west. Small firms are turning into 'medium' firms, with a management structure still heavily reliant on family control, while off-shoring and relationships with foreign suppliers are being intensified.

The trajectory of the Italian capitalism is substantially different from the typical traits of a CME encountered in Finland. In the late 1960s Finland was still more agrarian and less industrialised than most Western European countries, it was thanks to the increase of foreign capital investment and to its natural resources, e.g. forests and pulp and paper industry, that Finland experienced one of the swiftest structural transformations in Europe and in the 1970 the Scandinavian/socialist democratic model was adopted, making Finland one of the Industrial Nordic welfare States (Antikainen and Luukainen, 2013).

An example of Italy's institutional regionalisation is the educational system. Bifulco et al. (2008) argue that regions have developed and tested various approaches, dictated by their political outlook and that this is generating an inequality in the system. Although the State and its Ministry of Education, University and Research (MIUR) have an authoritative role and centralised administration (including the management of financial resources and the allocation thereof as well as the management and cost of the personnel employed); at regional level, the Regional School Authorities (USRs) and the regions have been devolved more responsibilities but with no clear modalities for the implementation of common targets.

Just to give a brief outline of the educational system in Italy, this has strongly been affected by the incoherence and inconsistency of the political governance, with a

number of recent reforms initially being introduced (e.g. the lengthening of compulsory schooling) by a centre-left majority government (Berlinguer Reform, 1997), then abolished by a centre-right majority government (Moratti Reform, 2003) to be then re-introduced by another centre-left majority through the Fioroni Law (2007).

The secondary school system comprises of traditional high schools ('Licei': classical, scientific, linguistic, artistic and pedagogic); technical schools (pre-professional) and vocational institutes (Bifulco et al., 2008). Licei (classical high schools) are seen as the most prestigious choice with the other options seen as in a descending hierarchy of excellence. Typical traits of Italian schooling would be the central role of the teacher and a marked divide between disciplines taught in schools and the needs of the outside world, especially of the labour market. Bifulco et al. (2008) also argue that choosing a school is an act of exclusion, with less able students and often students from disadvantaged backgrounds opting for a 'lower category institute', exacerbating social class divide and failing the purpose of redistributing social opportunities. There is also a big gap in terms of regional results, with an average INVALSI science mark in national science testing reaching a deviation of >100 points in two regions, 534 in Friuli Venezia Giulia (North) and 433 in Sicily (South).

This is in sharp contrast with Finland, where the strategy for attaining equality and excellence in education is based on a publicly funded comprehensive school system that does not select or stream students during their common basic education, until the age of 16. "Inclusion of special education and instructional efforts to minimise low achievement are also typical to Nordic educational systems" (Lie, Linnakylä and Roe, 2003:8). In Finland, non-compulsory upper secondary education begins at 16 or 17 and lasts three to four years. Only at this stage can students opt for either occupational training (aimed at developing vocational competence and/or to preparing them for a

polytechnic institute) or for an academic upper school (that would prepare them for university studies). “The system is not rigid, however and vocational school graduates may formally qualify for university of applied sciences or, in some cases, university education; and academic secondary school graduates may enrol into vocational education programs. It is also possible to attend both vocational and academic secondary schools at the same time” (UNESCO-UNEVOC). Finland’s educational system has also been invested by a wave of reforms in the last 25 years, and a very state/centralised control structure is gradually being replaced by devolution of responsibilities to municipalities. Having said that, Finnish educational policy has not changed much and it has remained faithful to its socialist/inclusive aims of providing excellent quality of education for all, in the whole country, without regional or local bias (Antikainen and Lukkainen, 2013)

Quite different are also the choices students make when leaving compulsory schooling. Comparing the distribution of students in Upper secondary school, it emerges that fewer students choose vocational schools in Italy (26.7%) as opposed to a European average of 47.9% and to the Finnish 67.9%. In Italy 32.7% of students opt for pre-vocational schools (technical institutes) as opposed to a EU average of 5%. This option is not contemplated in Finland. On the other hand, in Finland 13.4% of students choose combined school and work-based options (16.1% is the EU average), while this option is not available to Italian students (OECD, Education at a Glance, 2010).

Another interesting figure is the participation of the adult population (25-64) in vocational training programmes. The Adult Education Survey indicates an uptake of 22.2% in Italy, giving it a ranking of 14 in Europe while the same survey gives a ranking of 2 to Finland (with 55% of intakes). Findings from the Labour Force Survey

are even more worrying, as participation here was at 6.2%, significantly below the European target of 12.5% and also very much below the Finnish 23.1% (source: Eurostat, 2008).

Another typical Italian feature (and especially evident in the South) is the long and difficult transition from education to employment and the mismatch between qualifications achieved and the nature of the job found. According to an ISTAT (2009) survey, the percentage of students whose jobs are completely unrelated to their school degrees is the highest in Europe; Italy also boasts one of the highest percentage for the time taken to find a job at the end of the educational cycle (again, especially in the South). With the aim to update the educational system and re-align it to the needs of the labour market and in the context of the Bologna process a series of reforms have been introduced but, to date, rather than easing the access of the young into the labour market only a useless proliferation of degrees has been observed (Bifulco et al., 2008) and the imbalance between regions has become even more accentuated.

It is also worth noting that Finland is world-renowned for its high educational standards and its excellent achievements in the PISA evaluation (Burridge, 2010), while the Italian system is still struggling to achieve a national equilibrium.

The institutional comparison of the two countries becomes even more meaningful if one uses as comparative standpoints the four main dimensions of social relations that differentiate capitalist systems as per Hyman's (2004) analysis and following on from a study by Crouch (1999). These dimensions are: a) *the property regime* – that goes back to the ownership pattern above indicated (private versus public) and to the nature of company financing (shareholders versus stockholders); b) *the production regime* – that

refers to how work and workers are organised (i.e. Fordism versus Post-Fordism structures). This might be strongly influenced by company's competitive strategies and managerial choices, nevertheless 'national models' seem to exist; c) *the welfare regime* – Hyman found evidence of three main types of welfare allocations: the Social Democratic (redistributive, based on high taxation), the Conservative (state provided, based on financing from employers and employees) and the Liberal (insurance based); each reflecting a varying (and decreasing respectively) degree of government intervention in issues such as education and training; healthcare provisions; social protection; pensions and benefits; and d) *the gender regime*, which refers to what he calls the 'Breadwinner versus Housewife' divisions and whether there are any systems in place to support better sexual equality.

Based on these four social dimensions, Arts and Gelissen (2002) advanced four different institutional clusters as follows:

**Table 8- European Institutional Clusters, adapted from Arts and Gelissen (2002).**

<b>Anglo-American</b>	<b>Japanese</b>
<ul style="list-style-type: none"> <li>• Liberal Property Regime</li> <li>• Fordist Production</li> <li>• Liberal Welfare</li> <li>• Egalitarian but Patriarchal</li> </ul>	<ul style="list-style-type: none"> <li>• Regulated Property Regime</li> <li>• Distinctive Status-based Production</li> <li>• Conservative Welfare</li> <li>• Male breadwinner</li> </ul>
<b>Northern European</b>	<b>Southern European</b>
<ul style="list-style-type: none"> <li>• Strongly regulated Property Regime</li> <li>• Varying degrees of Production</li> <li>• Social-democratic/Conservative Welfare</li> <li>• Egalitarian</li> </ul>	<ul style="list-style-type: none"> <li>• Regulated Property Regime</li> <li>• Varying Status-based Production</li> <li>• Less developed Welfare</li> <li>• Male breadwinner (changing)</li> </ul>

Here, and in agreement with what already discussed, Italy and Finland display quite different characteristics especially in terms of welfare regime and gender regime.

In terms of property regime, in 1939, Italy was only second to Russia as far as state-owned enterprises and to this date its tradition of public sector economy is still deeply rooted in the Italian institutional system (Knight, 2003).

In a working paper Toninelli and Vasta (2010) state that:

“For the most part of the last century the role of State owned enterprises was probably more pronounced, continuous and prolonged in Italy than elsewhere in the West. This was the response to the fact that Italian economic growth had long been penalized by structural frailties such as a narrow internal market, a shortage of capital, financial weakness and a decline of entrepreneurial initiative. Yet, the complexity of forms and organizations assumed by the State direct intervention in the economy... reached heights of imagination and ingenuity in Italy that were probably unknown abroad: State companies, State monopolies, shareholding companies, State concerns and so on co-existed throughout the twentieth century” (p.1).

This phenomenon can be traced back to the unification of Italy in 1861 as the tantalizing financial situation and the lack of entrepreneurship had to be counterbalanced by the new emerging State. The Italian financial situation had been (and still is!) critical and unstable for many years and an envisaged solution was the foundation in 1933 of a ‘temporary’ special government body – *Istituto per la Ricostruzione Industriale* (IRI), which was given the role of supporting and reorganising companies that were struggling to survive. IRI ended up becoming a permanent institution and in the post-war period played a major role in supporting the feeble institutional and economic system. An idiosyncratic response of the Italian government in the post-wars age (that differed from what most governments of defeated economies did) was that it “not only resisted pressure to divest public properties progressively and to encourage a free market ideology, but also gradually enlarged its control over the economy –particularly over finance and banking, industrial production and transport” (Toninelli and Vasta, 2010:3). A few State Owned Enterprises (SOEs) were created (e.g ENI and EFIM) with the aim of rationalising and controlling the energy-market as well as supporting and controlling

the mechanical industry sector. At the same time the Ministry of State Shareholdings (*Ministero delle Partecipazioni Statali*) was established to re-organize and control all state holdings (*enti di gestione*). The years immediately following (late 1950s and the 1960s) saw the apogee of state intervention in Italy (Balconi *et al.* 1995, Barca and Trento 1997, Amatori 2000, Toninelli 2004). State intervention and influence are still very strong forces in the Italian scenario. Nevertheless, Toninelli and Vasta (2010) identify the 1970s as a turning point as poor performance and the collapse of the socialist regimes generated a widespread scepticism and led to the reconsideration and re-shaping of the role of the state, through deregulation and de-nationalisation (Chick and Lanthier, 2004). This wave of de-regulation eventually reached Italy in the early 1990s and gave origin to the process of privatisation, a process that is still continuing to the present day (Barucci and Pierobon, 2007). In Italy, TUs have often taken industrial action in an attempt to oppose privatisation as with the demise of SOEs came the threat of job losses, job reorganisation and foreign ownership, and Italy has a history of hostility towards this (Parker, 2002).

Finland also has a strong tradition of State intervention, although this has taken a different form from the Italian one. Melin (1963) talked about ‘State companies’ that might be either fully or partly owned by the state but in any case controlled by it and described their mode of operating as being the same as in any other state activity related to state administration, meaning that their primary purpose consists in serving the community. As he stated:

“The government and Parliament exercise a decisive influence over both the direction and the extent of activities through financial grants for new investments or by defraying losses, profits usually go to the State and are entered into the budget...the wage rate structure and the terms of employment follow the civil service pattern” (p.572).

More recently, Willner (2003) – in an account of public and private ownership in Finland- described the Finnish state-enterprise sector as being larger than in most other

countries and justified their existence by explaining that they were established to counteract a paucity of private venture capital and with the aim of supporting industrialisation. Unlike in Italy, though, in Finland, both SOEs and the following process of privatisation of the last twenty years have been successful (Willner, 2003).

More significant differences appear from the analysis of the two Countries' *welfare systems*. The Finnish welfare system was created in the three decades immediately following the Second World War and has been strongly influenced by the 'Nordic model' of social security. Allardt (1989) described the Nordic model as being 'comprehensive', and explained the use of the adjective with the examples of the State pension plan and the health system. In Finland national pensions are flat-rate and allocated to all citizens irrespective of how much (if at all) they have contributed to the pension plan and health provisions are offered to all citizens, irrespective of their income.

To use the words of the Finnish government:

"The aim of the Finnish social protection system and its social welfare component is to guarantee everyone the constitutional right to indispensable subsistence and care consistent with the dignity of human life. Social services and income security together secure the support and care that individuals and families need at various stages in their lives, while also enabling participation in working life and ensuring gender equality. Prevention and treatment of social exclusion are an essential part of social welfare. Finnish social welfare is based on the Nordic welfare state model. Extensive public responsibility and tax funding are its cornerstones" (Ministry of Social Affairs and Health, 2006).

Other salient traits of the Finnish (or Nordic) system are the support given to workers through various forms of Labour Market Subsidy and the support given to families especially in the form of childcare allowances. Basic unemployment allowances will be allocated to those who had been in employment for at least eight months in the two years preceding unemployment and will be paid for 500 days. Those in search of first



employment or with no work experience will instead receive a ‘Labour market subsidy’ and this will be paid indefinitely. The subsidy will also be paid to those who have exhausted their 500 days unemployment allowance. Many measures to promote employment are also used; i.e. paid training provisions (the above data proceed from KELA, the Social Insurance Institution of Finland and is available at <http://www.kela.fi>). As far as welfare provisions for families, Finland is a very ‘generous’ state as ‘new-born’ citizens are warmly welcome with a special ‘maternity package’ which has recently been in the eye of the media (Lee, 2013); a child benefit will be awarded to all parents, irrespective of income and finally, maternity and parental leave are quite generous, too. Maternity leave lasts for about four months (to start approximately one month before the expected delivery date) and is followed by a six-months parental leave that can be taken by either the mother or the father. Paternity leave was set at 18 days, but since 2013 fathers can take up to 54 days as paternity allowance! And if this wasn’t enough, both the Finnish Confederation of Professionals (STTK) and the Confederation of Unions for Professionals and Managerial Staff (AKAVA) are campaigning for a “6+6+6” model of parental leave, advocating 6 months for the mother, 6 for the father and 6 month to be divided up between them. Subsidized day-care is then offered to parents, where a maximum contribution of 200 Euros will be requested from parents for full-time care. Alternatively, parents can request a ‘Child home care allowance’ and will receive a state subsidy to stay home and look after their child(ren) (<http://www.kela.fi> ).

As anticipated earlier on, the Welfare State in Italy is not so well organised. Despite the good intentions, the critical financial situation and the resulting huge public debt make it impossible to offer conspicuous welfare packages to citizens. Just to give a few examples, health provisions were meant to be an entitlement of all citizens, but the high

costs involved made it necessary to introduce ‘user charges’ related to individual income. The service is free only for those with serious financial difficulties. Likewise, unemployment allowances -since 2013 called “Assicurazione Sociale per l’Impiego” (Social insurance for employment)- can only be disbursed to those who have paid their national insurance contribution for at least two years prior to being made redundant and have worked for at least 52 weeks in the previous two years. A sum that ranges from 60% to 40% is paid for a maximum period of one year. No more payments follow after that. There are no subsidies for either self-employed or for those in search of a first job ([www.inps.it](http://www.inps.it)). Nevertheless, the State tries to prevent redundancies and tries to help both employers and employees in times of difficulty by giving out a “Redundancy Fund” (Cassa integrazione guadagni), which equals 80% of their previous wages and their contributions for pensions are accounted for, even if they are not being paid. Since 1984 companies can negotiate with local TUs contracts with reduced working hours (Solidarity Contracts) as to avoid dismissals and the state will grant to those employees up to 60% of the lost part of their wage. When companies are not helped by any of these measures and downsizing is the only option, employees can be entitled to a mobility allowance (Indennità di mobilità) whereby other companies will receive incentives if employing them ([www.inps.it](http://www.inps.it)). Hence the Italian welfare state shows a propensity to protect employees and their job but very little is done for those who have never had a job or for jobseekers.

Welfare provisions for families strongly reflect the ‘gender’ bias of the Italian society, as if there is a decent maternity leave allowance for working mums (a total of five months, two of which to be taken before the expected delivery date, paid at 80%), fathers are not really considered in the equation! Only very recently, the law of 28 June 2012, n.92 has introduced, in an experimental way, for the years 2013-2015, the

following measures in favour of paternal leave: the working father has the right and obligation of taking at least one day of leave within the first five month of life of his child and, if required, he can also take two more days off, in agreement with the mother, as these will be discounted from the maternity leave ([www.inps.it](http://www.inps.it)). Childcare provisions are often inadequate and although some free or very low-contribution day care centres have been set up, places are insufficient, which leaves parents struggling with very high costs. This approach is substantially different from the one adopted by the Nordic state and may be indicative of the preference for quality of working life and of the 'egalitarian' attitude.

### **2.5.2 The business system theory**

Whitley (2002) also followed an institutionalist approach to map differences between societies but rather than referring to the VOC literature (and in an attempt to overcome its limitations), he built his theory around the notion of the 'Business System' which he defined as a collection of economical and societal institutions that serve to shape co-operation, control and transactions both within and between businesses. Looking at the inter-relation between various institutional dimensions (i.e. ownership co-ordination; non-ownership co-ordination and work and employment relations) Whitley (1999) proposed the following six typologies of Business Systems: Fragmented; Co-ordinated Industrial District; Compartmentalized; State Organized; Collaborative and Highly Co-ordinated.

**Table 9 - Six Typologies of business systems, adapted from Whitley (1999).**

Type/Form	Examples	Work and Employment Relations	
		Delegation to Employees /	Interdependence Managers-Employees
Fragmented	Hong Kong	Low	Low
Co-ordinated Industrial District	Italy	Some	Some
Compartmentalised	USA, UK, NZ, Australia	Low	Low
State Organised	Post war South Korea	Low	Low
Collaborative	Sweden, Austria, Norway	Some	High
Highly Co-ordinated	Japan	High	Considerable

In this model (and as highlighted in table 8) the relationship between institutional profile and HRM is much clearer, as Whitley (1999) examines the degree of interdependence between employers and employees (high versus low; depending on a series of factors, such as how much the organisation invests in its employees, for examples in training) and the degree of delegation to the employees (demonstrated by the presence of communication schemes or consultation etc.).

Italy belongs to the ‘*Co-ordinated industrial district*’, characterised by strong linkages between firms and across sectors; by commitment in the sphere of management and work relations; by long term economic co-ordination which is not always achieved via trade unions. To reinforce the analysis provided earlier on, Whitley (1999) defined the co-ordinated industrial district group as exhibiting “more organised integration of inputs

and outputs within production chains as well as more sectorial cooperation. Ownership units remain normally small and owner controlled but rely more on worker commitment and, especially, on employees' willingness to improve task performance and innovation...this kind of economies are exemplified by the post-war Italian industrial district and by similar European regional business systems" (p.43).

Finland belongs to the '*Collaborative*' system, where co-ordination is achieved through negotiation between several partners, such as industrial, employer and employees associations and government. Firms in this cluster are thought to "develop a greater deal of employer-employee interdependence and trust of skilled workers" (Whitley, 1999:44).

Another theorist that has produced literature on business systems is Amable (2003). He identified five systems: 1) a Continental European (CME) system; 2) an Anglo-Saxon system (LME); 3) a Mediterranean model; 4) a Nordic/Social democratic model and 5) an Asian system. Georgen et al. (2009) used this classification to explain differences in training and development strategies. Finland, as part of the 'Social democratic economy', does not have the same high quality vocational training scheme offered by Continental European economies such as Germany as industry links are weaker and education has a stronger theoretical focus. This means that firms are bound to develop in their employees more industry-related competences and skills, hence more emphasis is placed and more investment is made in training within organisations. In Italy (part of the 'Mediterranean cluster') the situation is even worse! In fact both higher education and vocational provisions are thought to be unsuitable for preparing employees for the world of work. The state was often supporting skills development programs but more

recently state involvement has considerably decreased, the burden of finding external training providers now resting on the organisation.

From the above discussion, it is clear that since the business system literature also incorporates an analysis of market structures, ownership structures and employee relations, the overlap with the VoC literature is unavoidable (Sorge, 2004).

## **2.6 More clustering: Clustering within Europe**

In the specific sphere of European organisations, Crouch (1993) identified three main ‘national types’ with Britain being an outlier. His classification is based on the belief that the tradition of each national state has moulded employment regulations and their evolution. Next to a Germanic model, once again we find a ‘Mediterranean model’ characterised by state intervention and a large nationalised sector; employment contracts are highly regulated and both the employer and the employees’ representatives (TUs) are involved in the welfare regime in an ‘institutionalised way’. And, once again, we find a ‘Nordic’ model, characterised by an egalitarian and extensive welfare system and where the employment relations parties are coordinated by strong collective organisations despite the fact that the industrial relation system is more ‘voluntaristic’.

Calori and de Woot (1994) tried to map Countries within Europe according to their management preferences. They concluded that three main clusters can be found, the UK – as a separate entity- showing more similarity with US management than with the rest of Europe; South of Europe and North of Europe. The southern European group, featuring Italy, is characterised by more protectionism, more State interventionism, taller hierarchies and more intuitive management. The North is more liberalist, management is more organised and employee participation is greater.

Drawing from Hofstede's findings, from data collected within the Price Waterhouse Cranfield Project and from data appeared in the 1990 World Competitiveness Report, Filella (1991) confirmed the 'grouping' of European Countries into three clusters, namely the Anglo-Saxon, the Northern European and the Latin Mediterranean Nations and his findings reinforce what already highlighted by the previous studies above discussed.

## **2.7 Summarising institutional theories. The 'institutional case' and implications for HRM.**

Budhwar and Debrah (2001:507), drawing from a number of research studies (Brewster, 1995; Cappelli, 1995; Morishima, 1995; Powell and Di Maggio, 1991; Scott, 1995; Tayeb, 1994, 1995; Torrington, 1993; Zucker, 1987) listed as follows a series of institutional 'systems', that strongly affect HRM in a cross-national context and hence have to be considered and interpreted:

1. "National Labour laws
2. The structure, density and role of trade unions
3. The educational and vocational set-up
4. The role of professional bodies
5. International business institutions
6. Labour-market dynamics, and overall preference for internal or external markets
7. Employers' federations and representative bodies
8. The legitimate role of consulting organisations."

All of these systems/factors have been taken into account by institutional theorists when they advanced their models or classifications (and in the above discussion) but have

been re-listed above as it might help in shedding light on the inter-relationship between institutional systems and HRM. It is clear that the more regulated (in terms of labour legislation) is a country, less autonomy and freedom will be left to managers in their choices of contract types or flexibility schemes. It is also logical that if more power is given to TUs, less leave is given to managers in the way they structure the employment relationship (type of contracts, ease of downsizing and so on). These 'systems' differences will be taken into account when comparing Finnish and Italian HRM and have been in-built in the questionnaire, so that their effect on HRM policies and practices can be captured.

Drawing from a study by Marginson (2004), Hollinshead (2010: 30) tries to establish clear links between the capitalism models of LME and CME with HRM. Following his analysis, a number of HR principles that can be associated to LMEs would be as follows:

- “Freedom to manage;
- Emphasis on short-term competition;
- Flexible deployment of staff;
- Pay linked to individual performance;
- Training regarded as an ‘overhead’ ”

This can be explained by the fact that LMEs see employees as disposable resources to be ‘used’ with a cost-effectiveness consideration in mind. Managers have great discretion on how to reward or punish their employees and can freely propose atypical contracts. This approach generally fails to generate employee commitment and staff turnover tends to be high.



In CMEs, we are more likely to find (Hollinshead, 2010: 30):

- “Constraints on managerial freedom through state regulations and other influences;
- Longer-term orientation;
- Investment in training;
- Relative job security;
- Employee involvement and participation”.

These organisational and HR principles are likely to be attributable to the strong role of government and TUs in CMEs, as these restrict managerial freedom and protect employees. The result would be a more highly motivated workforce, a stronger internal market, but also a lack of flexibility due to the rigidity of the regulatory system.

Unfortunately, the above discussion can be subject to criticism, as it is only too easy to fall into the trap of excessive ‘determinism’, whereby one tends to make wrong provisions by expecting that all CMEs or LMEs countries would always display certain HRM policies and practices. This assumption would fail to take into account other external pressures, unrelated to national business systems, such as corporate culture or even such as strong overarching institutional forces, e.g. the European Union.

Another note of caution needs to be made here, as the CME versus LME dichotomy would not be enough to explain institutional differences between Italy and Finland, since Italy’s institutional system does not fall within either of these two ideal-types, but rather somewhere in-between (MME) and even so, with a number of distinctive traits that differentiate it from MME as well, hence – in the next paragraph- the traits of the

CME in Finland will be juxtaposed to the specific traits of the MME/regionalised economy in Italy .

As in the case of cultural clusters, Italy and Finland are seen by the academic literature as two distinct examples of different institutional contexts.

Finland has been described as a CME (Hall and Soskice, 2001), a social-democratic welfare State with an egalitarian gender regime (Arts and Gelissen, 2002; Hyman, 2004) and a ‘collaborative’ system with a high degree of negotiation and collaboration between partners (Whitey, 1999) and, on the whole, as a typical Nordic/Scandinavian business model, characterised by an extensive, egalitarian welfare regime; strong collective organisation of ER with great employee participation (Crouch, 1993; Calori and de Woot, 1994). The exemplary educational and vocational system would create a better prepared workforce with less skill gaps (Nikandrou et al., 2008).

Italy has been depicted as an idiosyncratic form of MME (Hall and Thelen, 2009), and more specifically as a dysfunctional form of regional capitalism (Trigilian and Burrioni, 2009), characterised by a more limited social protection (Molina and Rhodes, 2007) and a less developed welfare system with a dysfunctional ER scenario and a strong ‘male-breadwinner’ gender bias (Arts and Gelissen, 2002). Italy has also been described as a ‘co-ordinated industrial district’, where owner-control and family relationships are strong forces (Whitley, 1999). Italy also shows some traits of the “Mediterranean model”, where taller hierarchies and more intuitive managerial strategies, together with an attempted but still dysfunctional welfare regime can be found (Crouch, 1993). The poor structure of both educational and vocational systems would have created a workforce with skill gaps both at junior and senior level (Nikandrou et al., 2008).

Drawing from the above analysis, in table 10 the author will summarise the effect of these institutional differences on preferences/legitimacy/use of specific HRM policies

and practices as it has emerged from the academic literature discussed in the above paragraphs.

**Table 10- Impact of institutional context for HRM systems**

<b>HRM Strategies and Practices</b>	<b>Impact of Institutional Context</b>	<b>Implications for Finland and Italy</b>
<b>Formulation of HR strategies</b>	<p>In CMEs employment legislation is very accurate and detailed and covers most aspects related to the employment relationship. In Scandinavian/collaborative models, policies and practices are the result of negotiation between interested parties (and their representatives)</p> <p>In a MME, dysfunctional regionalised State, employment legislation also covers most aspects of the employment relationship and is highly regulated, but negotiation is dysfunctional and may lead to lack of clarity and compliance</p>	<p>Finland: Spelled out and written strategies</p> <p>Italy: Strategies are present but often revised, disputed and –if possible- circumvented</p>
<b>Recruitment and Selection</b>	<p>Both in CMEs and MMEs there is a tendency to favour internal recruitment , although in a ‘co-ordinated industrial district’ , with small, family based industries the preference for recruiting through networking (and in a less objective/exact fashion) is often observed</p>	<p>In Finland more formal and objective R&amp;S methods are preferred, e.g. newspaper advertising, references, panel interviews.</p> <p>In Italy more informal and ‘subjective’ methods of R&amp;S are preferred, e.g. word of mouth, one-to-one interviews as the main (and sometimes only) selection method.</p>
<b>Training and Development</b>	<p>In CMEs and Scandinavian welfare states, the good educational/vocational system will prepare school leavers for the world of work, while in Mediterranean economies new employees will not have been provide the necessary skills to become effective workers.</p>	<p>In Finland, training will be mainly targeted at managers</p> <p>In Italy, training initiatives are targeted at all categories of employees as firms will have a bigger skill gap to bridge.</p>
<b>Employee Relations and</b>	<p>Both in CMEs and MMEs TUs are quite influential, although the</p>	<p>In Finland, TUs are very well structured and boast a very</p>

<b>Communication</b>	<p>main difference between CMEs and Italy (as a dysfunctional MME) lies in the smooth functioning of TUs and in the efficient/effective organisation of the latter.</p> <p>In CMEs tripartite negotiations are very effectively structured and operate efficiently, in a dysfunctional MME this is often not the case, with the result that employee participation is sometimes limited.</p>	<p>high unionisation rate as they strive to represent employees' voice. Employees have a more participative role.</p> <p>In Italy TUs are often engaged into internal and intra-union disputes thereby damaging unionisation rates and employee participation.</p>
<b>Flexibility and Work-life balance</b>	<p>A country with an egalitarian gender regime and a very solid welfare state normally tries to promote a greater work-life balance and encourage flexibility.</p> <p>In a country with a less developed welfare and with a male-breadwinner mind-set, flexibility is not paramount.</p>	<p>In Finland more flexible working arrangements are used</p> <p>In Italy, flexible working arrangements are at the earliest dawn.</p>

The HR areas that have been identified as being 'different' as more strongly affected by institutional preferences of Italy and Finland are the areas that are investigated in the CRANET questionnaire and that will be investigated in the current study through the formulation of inherent research propositions in 2.9.

## 2.8 Culturalism versus institutionalism, integrating the perspectives

Are culturalism and institutionalism really polar opposites or can the gap between them be bridged? Giddens (1986) in his 'structuration theory' sees them as interconnected, as the two sides of the same coin. He in fact sees institutions as systems and culture as the inherent values that actors (humans) have; actors and systems mutually constitute each other. Sorge (2004) argues that it is important to bear in mind that cultural approaches focus on the mind of individuals (who make sense of the world through their values and beliefs in distinctive ways) while institutional approaches tend to focus on "the norms

and standard supported or enforced by institutional machineries” (p.119). He then continues stating that “to examine an actor means discovering systems (s)he has in mind and takes for granted; to examine a system means to discover the precise meaning that actors give it” (p.122). Actors and systems, representatives of cultural and institutional approaches are inseparable and only if we look at them as a joint ensemble we can see the ‘full picture’. To conclude, Sorge (2004: 120) affirms that “the conflict between institutionalism and culturalism, and related claims that one of them or the other is at the root of things, is nothing but an academic job creation program.”

Only if taken jointly, cultural and institutional frameworks can provide a good conceptual framework for analysing, explaining and even anticipating some international variations in IHRM policies and practices (Hollinshead, 2010). At the same time, Hollinshead warns us against a potential over-deterministic view of this relationship, as this would deny the significance of organisational autonomy and different corporate strategies. Hollinshead (2010) also identified some complementarity in the expectations that proceed from both sets of theories, he suggests that some correlation may be found between individualistic and neo-liberalist countries (in terms of HR they may make more use of performance related pay) and between uncertainty avoidant and neo-corporatism (resulting in longer term planning and more regulation).

In the above paragraphs, and as summarised in tables 6 and 10, the preference for a set of HRM policies and practices might be a result of both institutional and cultural determinants, as the two are strictly inter-related. An example could be the use of a more subjective style of R&S in Italy which could be due to both Italy’s cultural values (ascription-orientated and with the ‘personalised’ management style of the pyramid of

people cluster) and to its institutional context (co-ordinated industrial districts are characterised by ‘personalised’ relationships and close networking).

In this thesis both institutional and cultural profiles of the studied countries will be taken into account and both will be used to explain potential variation in the use of HR policies and practices. This study is also trying to overcome another limitation, as Harzing and Noorderhaven (2006) posited, in most cases, culturalist and institutionalist approaches have focused on the cross-national comparison of domestic/local organisations, here the focus will be shifted to the impact exerted by culture and institutions of a MNC’s country of origin on the HRM practices and policies used.

To conclude, following the above excursus into the existing literature, it is evident that Italy and Finland are both culturally and institutionally dissimilar. The question now is, how does a MNC from a ‘Well-oiled machine, Nordic, Collaborative’ Country like Finland behaves when operating in a Country so distinctively different like the ‘Pyramid of people, Latin, Co-ordinated’ Italy?

## **2.9 Implications of the literature reviewed and the emergence of Research**

### **Propositions**

The theoretical frameworks discussed in chapter one, together with the cultural and institutional theories discussed in the current chapter will now be used to formulate a few research propositions.

Noorderhaven and Harzing’s (2003) argued that “the culture of the home country of the MNC may be expected to moderate the strength of the country-of-origin effect. We expect a stronger, i.e., more homogeneous national culture in the country of origin to

lead to stronger country-of-origin effects in MNCs originating from that Country” (p.58). This is mainly due to the fact that in very strong/homogeneous cultures, divergent behaviours will be discouraged as individuals are encouraged to conform and will be less used/open to diverse ways of doing things, including managing strategies.

*Proposition 1a: As Finland is a Country with a very strong/homogeneous culture (Raento and Husso, 2001); we are likely to find a strong country-of-origin effect in the HRM policies and practices pursued by Finnish MNCs in Italy.*

On the other hand, Ferner (1997) argued that MNCs that originate from Countries with a small home market will have been forced to internationalise much earlier than larger countries and will more likely have a large proportion of their operations located in foreign countries and will be likely to have the characteristics of a more ‘open’ economy. This ‘internationalisation’ would attenuate the imprint of culture and institutions of the home country.

*Proposition 1b: As Finland is a country with a small and open economy, we do expect to find a weak country-of-origin effect in the HRM policies and practices pursued by Finnish MNCs in Italy.*

Following on from the national **cultural analysis of the two countries and how this affects HR policies and practices**, as per Hofstede’s study (1980) – see 2.4 and table 6, we may now advance some propositions that strongly reflect the cultural preferences of Finland and Italy.

Finland scores quite low on PD (33), indicating a preference for a decentralised management approach, where subordinates are consulted and ‘involved’ in a participative manner, the PD score is higher in Italy (50), subtending the preference for a more autocratic approach to management and to HR and less delegation (devolvment). The UA score for Finland is medium-high (53), indicating a preference for avoiding risks by having a solid control mechanism in place. Italy is characterised by an even higher UA (71), hence many HR policies and practices thought to directly relate to UA (e.g. high employment/job security, formal systems of HRM, internal promotion etc...) cannot be used as example of country-of-origin effect, as it might rather be the case of a ‘host country’ effect. On the other hand the combination of PD and UA may be helpful in contrasting the two countries’ management preferences.

Italy, as part of the ‘pyramid of people’ cluster (high PD and high UA), is expected to have more centralised control strategies and highly specialised functions (i.e. HR) and to follow a ‘personalised’ style of relationship in the workplace.

Finland, on the other hand and as part of the ‘well-oiled machine’ cluster (low PD and high UA), is expected to adopt a more decentralised management style and make less use of highly specialised functions. Here consensus seeking and information sharing are considered important. More employee participation in decision making is also expected.

A great point -of difference in Hofstede’s terms -between Finland and Italy is their score in the Masculinity versus Femininity dimension, with Italy being very masculine (70) and Finland being very feminine (26). If a strong country-of-origin effect exists, we should see how HRM policies and practices that are deeply influenced by this cultural value reflect a masculine or a feminine orientation.

The above cultural traits have also emerged in the other cultural studies reviewed, if we take Trompenaars and Hampden Turner’s (1997) cultural theory into account (see



3.3.2), we would recall that Italy belongs to the “Family” cluster (relationship oriented and quite hierarchical) while Finland belongs to the “Guided Missile” cluster (task focused and egalitarian). Once again, main differences between the two Countries would include: the vertical differentiation within organisations, the inclusiveness versus exclusion of employees in decision making, the formal versus informal networks and the political versus neutral nature of relationships.

According to Hall and Hall (1990, 1995) and Copeland and Griggs (1986) we are expecting to see more explicit channels of communication in the ‘low-context’ Finland and more implicit messages in the ‘high-context’ Italy.

And, finally, according to the WVS (Inglehart and Welsel, 2005) we would expect a greater attachment to traditional values in the Catholic European cluster Italy belongs to and the presence of more secular-rational values in the Protestant European countries Finland is part of.

Following on from the **analysis of the two countries’ institutional profiles** – see 2.7 and table 10, the below propositions will also reflect the institutional backgrounds of Italy and Finland. As Whitley (2002) argued, Italy belongs to the ‘Co-ordinated industrial district’, characterised by strong linkages between firms and across sectors; by commitment in the sphere of management and work relations; by long term economic co-ordination which is not always achieved via trade unions. Finland belongs to the ‘Collaborative’ system, where co-ordination is achieved through negotiation between several partners, such as industrial, employer and employees associations and government. In both countries Trade Unions and Works Councils are very influential,

with Finland boasting a much higher unionisation rate than most other European countries.

As Nikandrou et al. (2008) purported, looking at institutional differences and their impact on T&D, we might expect to find less skill gaps in junior employees in Finland – thanks to their training system which is more effective than the Italian one- while we would expect to find skill gaps at both junior and senior level in Italy.

Hence, some emerging (initial) research proposition that factor in what above highlighted would be as follows:

*Proposition 2a: a strong country-of-origin effect in the HRM policies and practices pursued by Finnish MNCs in Italy would be visible if HR strategies were clearly spelled out and written.*

*Proposition 2b: a strong country-of-origin effect in the HRM policies and practices pursued by Finnish MNCs in Italy would be visible if more responsibility for HR decisions were delegated to line managers only or to line managers supported by HR managers;*

*Proposition 2c: a strong country-of-origin effect in the HRM policies and practices pursued by Finnish MNCs in Italy would be visible if more objective forms of R&S were used (e.g. references, panel interviews) as opposed to word of mouth and internal recruitment;*

*Proposition 2d: a strong country-of-origin effect in the HRM policies and practices pursued by Finnish MNCs in Italy would be visible if more employee participation was reported in appraisals/compensation (e.g profit-sharing scheme/training choices);*

*Proposition 2e: a strong country-of-origin effect in the HRM policies and practices pursued by Finnish MNCs in Italy would be visible if more flexible working arrangements were used as to promote a greater work-life balance;*

*Proposition 2f: a strong country-of-origin effect in the HRM policies and practices pursued by Finnish MNCs in Italy would be visible if there are communication channels aimed at making sure that employees are well informed, in clear/unequivocal (explicit) ways;*

*Proposition 2g: a strong country-of-origin effect in the HRM policies and practices pursued by Finnish MNCs in Italy would be visible if unionisation rate was very high (above 50%);*

*Proposition 2h: a strong country-of-origin effect in the HRM policies and practices pursued by Finnish MNCs in Italy would be visible if more was spent on T&D for managers than for employees.*

Most of the Finnish MNCs that belong to this study sample (possibly due to their small and open domestic market) operate in a wide range of other Countries, besides Italy, and are exposed to great culturally and institutionally diverse environments. Although it is argued that this might also account for the strength of the country-of-origin effect, as having to work across a wide range of cultural and institutional regimes might reduce

the perceived strength of the ‘isomorphic’ pressure to conform (Xu and Shenkar, 2002), this proposition will not be tested in this thesis.

Another aim of this study is to also find out whether there is an increased tendency to use ‘high performance working practices’, which are not immediately ascribable to either the country-of-origin or the host-country typical HR policies and practices and that would indicate a move towards ‘**convergence**’ to an Anglo-Saxon model of HRM (as described in the literature (Pfeffer, 1994; Huselid, 1995; Delery and Doty, 1996).

*Proposition 3: Finnish MNCs in Italy use HRM policies and practices which are not typical of either domestic Finnish or domestic Italian organisations, but more closely resemble HRM systems and high performance work systems as the ones found in the Anglo-Saxon model of HRM (see 1.2.6).*

Finally, another aim of the present study will be to try and understand how the behaviour of Finnish MNCs in Italy might be informed by their internationalisation strategies and by the relationship between PC and subsidiary. This relationship is informed by the different roles taken on by/assigned to subsidiaries; by issues of control and autonomy and by relational factors. The HQs-subsidiary relationship is thought to affect the transfer of HR practices and in particular the country-of-origin effect and will be explored in the case study analysis. As findings from previous literature on the subject are scarce and inconclusive, no initial propositions have been formulated, the researcher will approach the issues with an explorative lens.

## **CHAPTER 3 - RESEARCH METHODOLOGY AND DESIGN**

After the literature review and before embarking in data collection and analysis, it is important to carefully consider the underlying relationship between approaches to research and generation of theory (Creswell, 2003; Crotty, 1998). Saunders et al. (2009) argue that before discussing the choice of appropriate research methods, it is critical to reflect on the theory of research methodology, which looks at how research should be undertaken, based on philosophical assumptions. Anderson defines research methodology as “the philosophical framework or orientation within which...research is based” (2009:50).

### **3.1 Some philosophical considerations**

The research philosophy is intrinsically linked to - and therefore representative of - the world view of the researchers, how they see the world and how they set out to investigate it. According to Johnson et al. (2007), the researcher has to demonstrate how capable she is of reflecting upon the stance chosen and defend this stance in relation to other possible alternatives that were instead discarded. A plethora of paradigms and approaches exist and the researcher should be able to choose one according to the nature of the research project. Below an overview of the available research options will be given; starting with a definition of research philosophy, moving on to analyse two main paradigms of analysis and providing a justification of the chosen strategy of inquiry.

### **3.2 Research philosophy**

Research philosophy has to do with the “development of new knowledge and the nature of the knowledge developed” (Saunders, 2009:107). The etymology of the word philosophy itself comes from the Greek words ‘philo’ and ‘sophia’, which mean love

and knowledge respectively (Oxford dictionary), referring to a ‘love for knowledge’. Starting from the above considerations, a few questions/doubts spring inevitably to mind: how can new knowledge be generated? Does social reality exist per se as an observable entity (ontology)? Can we get to know it (epistemology)? How can we get to know it (methodology)?

### **3.2.1 Ontology ~ How reality manifests itself**

All approaches to research are profoundly underpinned by the researcher’s position on ontology and epistemology. Ontology, from the Greek ‘*ontos*’ and *lògos*’, is the ‘discourse on the being’ alias the phenomenology of the being, which is concerned with the exploration of reality and how it manifests itself. The researcher can take one of two main ontological approaches (Bryman and Bell, 2011): objectivism, if the social world is regarded as something external, with social entities that exist, uninfluenced by opinions and beliefs and external to social actors; or constructionism/subjectivism, where it is believed that “social phenomena are created from the perceptions and consequent actions of social actors” (Saunders et al., 2009:110), hence it is the individuals who are actively shaping their view of the world (Bryman and Bell, 2011). Saunders et al. (2009) give a very clear example of what they mean by using the concept of organisational culture. While objectivists would tend to view the latter as ‘something the organisation HAS’, subjectivists view organisational culture as ‘something the organisation IS’, as a result of a continuing social enactment (p.111).

### **3.2.2 Epistemology ~ the theory of knowledge**

Strictly related to how researchers view reality is the notion of epistemology, which is defined as ‘the theory of knowledge’ as it deals with the fundamentals, nature and limits

of knowledge, taking as its object of investigation the following question: “what are effective methods and what constitutes acceptable and legitimate knowledge about the social world?” (Bryman and Bell, 2011; Crotty, 1998 and Saunders et al. 2009). A crucial issue is whether a paradigm of research used in the natural science might or might not be appropriate for the study of the social world, where it is deemed to be the case, we can say that the researcher’s epistemological position would be a positivistic one (Bryman and Bell, 2011 and Anderson, 2012), underpinned by an objective ontological perspective.

Crotty (1998:5) identifies the inter-relationship between epistemology and research design by describing the research process as consisting of four main elements: 1) epistemology, as defined earlier; 2) theoretical perspective: the philosophical stance informing the methodology, also referred to as ‘paradigms’ in the literature (see discussion below); 3) methodology: the strategy, process or design that determines the adoption of specific methods and justifies the choice and use of methods in the light of the desired research outcomes and finally 4) methods: the techniques used to collect and analyse data that relate to the initial research question and/or hypothesis. According to Crotty (1998) these elements are to be looked at in a hierarchical order, as assumptions embedded in the earlier stages will inform each subsequent element.

Kuhn (1970 and 1974) defined the conceptual structure through which the researcher views the world as ‘paradigm’, where paradigm is defined as a guide that provides a model to the researcher, as well as some indication as to how to build this model (Corbetta, 2003). According to Corbetta (2003), the paradigm is a vision of the world, a ‘mental window’, a reading grid that precedes all theoretical elaboration, while Guba and Lincoln (1994:195) define it as ‘the basic belief system or worldview that guides

the investigator' and acts as a map to guide researchers into the formulation and negotiation of the subject area (Guba, 1990; Bogdan and Bilken, 1982).

From a historical perspective, we can identify two main paradigms or theoretical perspectives (element 2 according to Crotty's hierarchy) that have guided social research: Positivism and Interpretivism (Bryman, 2004) or as per the definition of Guba et al. (2004) Positivism and Constructivism. The positivist paradigm is usually associated with an objective ontological stance and with the use of 'quantitative methods' of analysis, while the constructivist paradigms would rather be linked to a subjective ontological stance and to the use of 'qualitative methods' (Guba et al, 2004). A note of caution is here *de riguer*, as it must also be said that the relationship between epistemological and ontological assumptions, as it is generally conceived, may not always be as deterministic as it's often suggested (Bryman, 2004, Tashakkori and Teddie, 1998). But what exactly do Positivism and Interpretivism mean?

### **3.2.3 Epistemological positions/Research Paradigms: Positivism versus Interpretivism**

There is no universal agreement amongst theorists on the terminology to be used when talking about epistemological paradigms of analysis. As Collis and Hussey (2009) observe, the names given to these paradigms vary across countries, discipline areas and even amongst researchers within the same fields of study. In this thesis, the definitions that seem to be more widespread in the researcher's field of study will be preferred, hence positivism and interpretivism or constructivism will be used (the last two used interchangeably).



### 3.2.3.1 Positivism

The positivist paradigm was the first to be used in the social sciences. This paradigm is historically linked to the natural sciences as only at the end of the nineteenth-century social scientists decided to ‘borrow’ the approach. One of the first adopters being Emile Durkheim (1951) who thought there must be little difference between physical and social science research as social phenomena must follow social laws just as physical phenomena must follow physical laws. Hence he concluded that the same methods could be used.

A definition and overview of Positivism is given by Kincaid (1996: 696) as a:

“philosophy (that) should be scientific, that metaphysical speculations are meaningless, that there is a universal and a priori scientific method, that a main function of philosophy is to analyse that method, that this basic scientific method is the same in both the natural and the social sciences, that the various sciences should be reducible to physics, and that the theoretical parts of good science should be translatable into statements about observations. ...Positivism has supported the emphasis on quantitative data and precisely formulated theories...”.

Corbetta (2003) looks at positivism from both an ontological and epistemological discourse positing that the related ontology affirms that social reality effectively exists and can be studied, as if it were an ‘object’. From an epistemological point of view, positivism is based on the duality between the researcher and the object of study (they never exert an influence on each other in any way) and aims to obtain true and valid results, its goal being the formulation of general natural laws which are invariable. The resulting methodology includes experiments and manipulation of reality, where the researcher can objectively observe reality while a detachment between the observer and the observed reality exist. The logic of the investigation is mainly deductive (from hypothesis to general law). Techniques of data collection and analysis are quantitative (experiments, statistical analysis).

The use of the term Positivism stretches beyond the principles above discussed and constituent element vary between authors (Bryman and Bell, 2011). However (Cohen et al, 2002) list a series of common implications of this approach (table 11):

**Table 11 - Traits of the Positivistic approach, adapted from Cohen et al, 2002.**

Independence:	the observer is detached from what is being observed
Value-free: (axiological assumption)	the choice of what to study and how to study is not determined by human beliefs and interests but rather proceeds from objective criteria. Esterby and Smith (2002) and Hussey and Hussey (1997) argue that the outcome of the research would be more or less the same regardless of the researcher's values
Causality:	the aim of the social sciences should be to identify causal explanations and fundamental laws that explain regularities in human social behaviour
Operationalisation:	concepts need to be operationalised in a way which enables facts to be measured quantitatively
Reductionism:	problems as a whole are better understood if they are reduced into the simplest possible elements
Generalisation:	in order to be able to generalise about regularities in human and social behaviour it is necessary to select samples of sufficient size
Cross-sectional analysis:	such regularities can most easily be identified by making comparisons of variations across samples.

### **3.2.3.2 Contructionism/Interpretivism**

The constructivist/interpretivist approach, on the other hand, is based on the way people experience social phenomena in the world in which they live (Cohen et al., 2002). This approach stems from the view that world and reality are not objective and exterior, but they are socially constructed and given meaning by people. This gives rise to qualitative methodologies, such as case studies, action research and ethnography, which have the following characteristics:

- Fluidity: the researcher moves freely back and forth between data collection and theoretical analysis - no standard procedures to follow
- Flexibility and intuitiveness: absence of formal theory at the beginning - aiming to discover the theory behind the data as it emerges through collection and analysis
- Inductive: collecting data about a specific social phenomenon and from this creating theory to explain the data
- Detailed: theories generated by the qualitative research are less generalizable beyond the particular persons or units studies. They are ‘situated’.

### 3.2.3.3 A discussion and critique of the two main paradigms.

In the following section the researcher will try to a) summarise the key traits of these two stances; b) present some criticism and c) indicate what paradigm(s) might be more appropriate for the present research study.

Table 12 presents Weber’s (2004) analysis, which clearly captures and contrasts the key features and alleged differences of positivist and interpretivist approaches as follows:

**Table 12 - A Comparison of Positivism and Interpretivism according to Weber (2004).**

Metatheoretical assumptions about	Positivism	Interpretivism
Ontology	Person (researcher) and reality are separate	Person (researcher) and reality are inseparable (life-world)
Epistemology	Objective reality exists beyond the human mind	Knowledge of the world is intentionally constituted through a person’s lived experience
Research object	Research object has inherent qualities that exist independently of the researcher	Research object is interpreted in light of meaning structure of person’s (researcher’s) lived experience
Method	Statistics, content analysis	Hermeneutics, phenomenology, etc.
Theory of truth	Correspondence theory of truth: one-to-one mapping between research statements and reality	Truth as intentional fulfilment: interpretations of research object match lived experience of object
Validity	Certainty: data truly measure reality	Defensible knowledge claims
Reliability	Replicability: research results can be reproduced	Interpretive awareness: researchers recognise and address implications of their subjectivity

To sum up what discussed above, and drawing from Creswell (1994), Hussey and Hussey (1997) and Easterby-Smith et al. (2002) the two paradigms can be compared by identifying four main varying underlying assumptions:

1. Ontological assumption – reality is seen as detached, external and objective by the positivists whereas it is seen as subjective and multiple by the interpretivists;
2. Epistemological assumption – Positivists see the researcher as independent from what is being researched, while interpretivists believe that a process of interaction exists between researcher and the subject of research;
3. Axiological assumption – Positivists see process and outcome of research as value-free and unbiased, while interpretivists believe that both process and outcomes would be value-laden and biased as the researcher's values will have an impact on interpretations of data;
4. Rhetorical assumption – positivists use a more formal language imbued by precise definitions an emotionally neutral, interpretivists make use of a more informal and less prescriptive language as to underline that their research is a result of a personal interpretation rather than an absolute reality.

It can be concluded that positivism and constructivism are often seen as polar opposites. They are indeed the two extreme poles of a continuum, and as such they allow for the existence of a range of other paradigms that situate themselves in-between these two extremes. As we move away from Positivism and towards a more interpretivist approach, we come across 'Post-Positivism', 'Critical Theory' and 'Participatory' paradigms of analysis (Colin and Hussey, 2009; Howell, 2004). To give a few examples of what happens along this imaginary continuum, it can be argued that Post-positivism moves away from Positivism in that it accepts the fact that the researcher cannot always

be totally objective, indicating a change in its epistemological stance, while it also accepts that reality is a process in evolution rather than a fixed structure, thus implying a more open ontological perspective.

Although basic beliefs of positivist and interpretivist approaches may be seen as irreconcilable, in the actual research methods and techniques used by researchers, differences can become blurred and ambiguous at times (Hughes, 1990). Bryman (2004) purports that if it's true that qualitative and quantitative approaches are intrinsically distinct, it is also true that they complement each other in many ways. In certain cases both approaches will be useful to overcome the limitations posed by the just one paradigm. Hussey and Hussey (1997:15) reinforce this by affirming that "it is possible for a positivistic approach to produce qualitative data and vice versa".

As hinted earlier both research paradigms have their limitations. Corbetta (2003) argues that a trap positivism might fall into is "excessive reductionism", which he defines as the reduction of social research to a mere data collection process, a process responsible for the production of a great amount of accurate, well measured and well classified data but that fails to give meaning and hence generate in-depth knowledge of the subject of study. The main failure lying in its ontological and epistemological stance that does not recognise that knowledge is also socially and historically determined. Kincaid (1998) criticised positivism for claiming that theories must be 'translatable' into observational terms, and to counteract the positivist belief in "absolute theory" generation, he also argues that even if it were possible to draw a distinction between theory and observation, all scientific tests are underpinned by theoretical assumptions, hence observational evidence cannot be granted an absolute epistemic status.

One of the main criticisms moved to the interpretivist paradigm stems from the fear that considering reality as a subjective construct only, where the researcher is incapable of going beyond his/her personal interpretation, would lead to the impossibility of producing general theories and objective knowledge would not exist (Corbetta, 2003). The validity and reliability of some of the qualitative methods used in constructivist approaches is also questioned (Silverman, 2000).

#### **3.2.3.4 What is the best philosophical paradigm for the present study?**

Unfortunately, there is no such a thing as a ‘universal’ best way of undertaking research. As Saunders et al. (2003) posit: “It would be easy to fall into the trap of thinking that one approach is ‘better’ than another. This would miss the point. They are ‘better’ at doing different things. As always, which is ‘better’ depends on the research question(s)... [the thesis]... is seeking to answer.” (p.85) Selected research methodology will reflect ontological and epistemological views and will ensure that data generated will answer the research questions.

It can be argued that research in organisations is never positivistic as it is permeated by human beliefs, thoughts and actions. HR policies and practices are shaped by managers (persons) and involve people (employees). Anderson (2012:46) states that “the less quantifiable and the subjective interpretations...are regarded as a more relevant line of inquiry in order to understand and explain the realities of HR situation’.

The existing body of knowledge lacks a contribution that investigates in depth how MNCs deal with the HR policies and practices of their overseas subsidiaries. The ontological stance of the present study would be concerned with questions such as: what is the reality of International HR policies and practices of Finnish MNCs operating in

Italy? Are they an objective reality? As when looking at IHRM policies and practices of the selected Countries, their cultural and institutional profiles will be taken into account, and both institutional and cultural elements enter organisations through the people that work in them and their behaviours and values (Kostokova and Roth, 2002), it would be very hard not to accept that: “social phenomena...” (HR policies and practices) “...are created from the perceptions and consequent actions of social actors” (employees and managers) – (Saunders et al., 2009:110). The reality of international HRM policies and practices is a subjective reality as it is shaped by its participants (HR managers). Reality is ‘constructed’ by the research participants and cannot be seen as objective. The reality of HR in organisations is ‘subjective and multiple’ (Easterby-Smith et al., 2002) and, consequently, the ontology position of the researcher can be classed as ‘constructivist/subjectivist’.

The epistemological position, informed by the ontological stance, will adopt an interpretivist/constructivist stance, where the researcher will try to make sense/give meaning to the phenomena under observation. Culture, values, people’s choices are areas that cannot be easily explored without a sense-making exercise. Greater insight into current HR practice can only be gained if the researcher can interact in a purposeful way with the subject of the research (through the people involved in the choice of HR policies and practices), as the way actors are processing the reality of policies and practices in their organisations can only be explored by way of mutual interaction.

Although this interaction is quite limited in the telephone survey (one of the chosen methods) and a more objective stance can be adopted here; it will become crucial during the interviews (the other chosen method) as it is through this interaction that the ‘lived’

experience of how HR choices are made and have evolved/are evolving can be captured and analysed.

Clearly, in terms of axiology, the researchers' values and interpretation of the world will have an impact on how studied reality is interpreted, but careful design of research methods and testing the validity and reliability of the instruments to be used will ensure that the researcher's bias will be reduced to a minimum.

### **3.2.4 Research design and research approaches**

Creswell (2009:3) defines the research design (Crotty's third element) as the "plans and procedures for research that span the decisions from broad assumptions to detailed methods of data collection and analysis. In the following paragraphs, an overview of the two main approaches and their limitations will be discussed before identifying the one that is best suited to the present study.

#### **3.2.4.1 The Quantitative design and the Deductive approach**

The Quantitative design is seen as a means to test objective theories by examining the relationship amongst a series of previously identified variables that can be measured. Data collected should be numerical data to be analysed using statistical procedures. This type of design tends to rely on a 'deductive' approach (Creswell, 2009). Deductive approach and quantitative techniques are generally associated to positivistic and post-positivistic paradigms of analysis. Deduction is defined by Corbetta (2003) as a *modus operandi* that proceeds in logical and sequential steps that start from an already formulated theory and try to justify this theory through newly found empirical data. Deduction hence tends to conform or disprove what is already known or at least



suspected. This looks like a linear process, but Bryman and Bell (2011) argue that this is not always the case, as collected data might fail to fit with the original hypothesis, or even the relevance of some collected data will only become apparent after collection. It could also be possible that new theories be formulated and published by other researchers shortly before own research, which might lead to a reconsideration and even a reformulation of the initial theory.

The deductive approach is generally seen as a linear process aimed at ‘theory testing’ (whilst accepting that this might not always be the case) following five sequential stages: 1. Deducing a hypothesis from the theory; 2. Expressing the hypothesis in operational terms (indicating exactly how concepts or variables are to be measured); 3. Testing this operational hypothesis via appropriate research strategies; 4. Examine the outcome of the inquiry, whether it confirms or dismiss the initial theory and (if necessary) 5. Modify the initial theory in the light of the findings (Saunders et al, 2009). Creswell (2009) adds that the rhetoric of this approach would result in a final written report characterised by a set structure and a more ‘scientific’ language.

#### **3.2.4.2 The Qualitative design and the Inductive approach**

The Qualitative design can instead be seen as a means to explore the meaning ascribed by individuals or groups to a social or human problem. The focus is hence placed on individual meaning (Creswell, 2009:3). Here theoretical development and empirical research advance hand in hand, as the researcher see the formulation of an initial theory as a conditioning factor that could inhibit his/her ability to fully comprehend the object of study (Corbetta, 2003). Creswell (2009) highlights some typical features of the qualitative approach such as the role of the researcher, who interprets findings and gives meaning to the data, data that are generally collected in the participants’ setting. Other

typical features would be the rhetoric of the approach (resulting in a written report with a flexible structure and a more ‘personalised’ writing style) and the use of an ‘inductive’ approach to data collection and analysis.

Inductive approach and qualitative analysis are generally associated to constructivist-interpretivist paradigms. Saunders et al. (2009) define induction as a ‘theory building’ approach, where data are collected first and a theory is developed as a result of the data analysis. Inductive research adds context to the data and is ultimately less concerned with the generalisability of findings. One of the most famous examples of inductive approaches is provided by the so-called “grounded theory”, developed by Glaser and Strauss (1967) in the medical field and then adopted in other fields of study. Grounded theory gives priority to data collection, to be started without the formulation of any hypotheses, and favours the subject of study to the theoretical assumptions. Inductive research is more flexible and adaptable, doesn’t need to follow a linear and sequential series of steps and is more likely to produce new knowledge and provide greater insight.

#### **3.2.4.3 A comparison**

In trying to compare the two approaches a few advantages and pitfalls of both have to be considered. The main strength of the deductive approach lies in the fact that the objective of study is clearly identified at the onset of the research, data collection can start almost immediately and methods can be easily replicated (Easterby-Smith et al., 2002). At the same time, the advantage of empirically testing an initial conceptualisation may bring about an important drawback in that it might lead to an impoverishment of the concept itself. A qualitative, inductive researcher would rather use conceptualisation as an orientation (sensitising concept), that predisposes to perception, and that needs to be defined in operational and theoretical terms during the

research journey (Corbetta, 2003). This approach would enrich the concepts rather than impoverish them but unfortunately it poses a problem of a different nature, in that the objectivity of the research study might be questioned, affecting the validity and reliability of the research study.

Traditionally, deductive approaches have been considered more ‘reliable’ while, more recently, equal dignity is given to both approaches; as vital contribution to the body of knowledge have proceeded from both, as they can be integrated for a more in-depth comprehension of reality. Saunders et al (2009) also posit that ‘not only is it perfectly possible to combine deduction and induction within the same piece of research, but it is often advantageous to do so’ (p.127).

#### **3.2.4.5 The approach chosen in this thesis**

Saunders et al (2009) provide a really hands-on guide on how to select a suitable research approach. A practical criterion is to consider the nature of the research topic and whether there is sufficient breadth of literature to allow the researcher to define a theoretical framework and derive subsequent hypotheses. In the case of the present study, there is enough academic literature to guide the researcher through the formulation of the hypotheses to be tested but ‘research propositions’ reflecting some of the latest findings and subsequent gaps in the field of study were deemed more suitable for the ‘explorative’ nature of this project, that relies on the understanding of qualitative data rather than on the verification of ‘quantifiable hypothesis’. Research propositions are in fact more flexible and generally lead to the generation of ‘richer data’ and of new theoretical frameworks.

The aim of this PhD is to add a different perspective, a new snapshot, to a topic that has been debated by academics for a while, this insight is in the form of an ‘exploratory’ study that might lead to the formulation of new theory and improve the current framework of analysis used to map the terrain of IHRM. This broadening of perspectives, starting with propositions and ending with newly gained theoretical knowledge is more easily achievable via an inductive approach. Grounded theory (Glaser and Strauss, 1967) was discarded as the researcher, following the literature review, had already formulated some research propositions to guide the data collection and analysis.

Saunders et al. (2009) re-iterate one of the criteria identified by Creswell (2009) and refer to a further one that can dictate the selection of the approach that best suits a particular research study: the audience it is directed to and the preference of the researcher. Although many managers and researchers - alias the audience this thesis is directed to- seem to have more faith in, as well as a predilection for, findings that emerge from a deductive rather than an inductive study, inductive approaches are gradually gaining more credit in the eyes of both academics and practitioners. The inductive approach has also been selected as the researcher, with a literary-philosophical background, feels more confident with qualitative data analysis techniques than with the analysis of numerical data.

The study will consist of three main stages: in the first stage secondary data proceeding from the CRANET study and from a number of national and international statistical datasets, as well as from reputable academic publications will be analysed and then used to a) compare Italian and Finnish HRM systems and b) generate ‘research expectations’ that will guide the data analysis. In the second stage HR data relative to Italian

subsidiaries of Finnish MNCs will be collected via an adaptation of the CRANET questionnaire (details on the reasons behind the choice and on the validity of this instrument have been provided in 3.2.6.1.1). An alternative questionnaire could have been produced by the researcher, the shortfalls of this approach being the lack of like-with-like comparison with secondary data, which was possible through the CRANET survey.

In the third stage some of the main issues emerged from the questionnaires will be explored by means of semi-structured interviews with managers of four Finnish subsidiaries. Interviews will enable the researcher to capture additional information and ‘thicker descriptions’ (Miles and Huberman, 1994) that can only be gained when engaging in a constructive interaction with the human beings that play a vital role in shaping the HR policies and practices in their organisations. Other alternatives, such as direct observation or face to face interviews were not considered viable due to funding issues and to the commitments of the researchers which made it impossible to travel to the disparate locations where the subsidiaries are based.

This inductive approach is suitable for comprehending the reasons why certain things happen. If a deductive approach focuses on WHAT happens, generalises to predict and is ‘explorative’ in scope; the inductive approach can try to give answers to the WHY does it happen, broadening our understanding of the subject and ‘constructing’ new theory (Saunders et al, 2009).

Once identified the chosen approach, it is important to define what research strategy will be adopted (Saunders et al., 2009), alias Crotty’s (1998) third element: the ‘Methods’.

### **3.2.5 Research Strategies**

As discussed earlier, research strategies are associated to methodological approaches.

Anderson (2012) argues that there are different views about varieties and denominations of strategies and describe the most appropriate strategies for students undertaking research in HRM. She identifies four main generic research strategies: 1. Experimental research (where a group of people might be subjected to a variable and the effects of that variable would be measured and compared to the results of a ‘control’ group that was not exposed to this variable); 2. Survey; 3. Case Study and 4. Action Research (here the researcher tries to solve an existing problem by trying to promote change. Phases of action research would be: observation and identification of a problem, planning, action, observation and reflection). Survey and interviews will be discussed in greater detail as they are the strategies chosen for this study, as both experimental and action research were not deemed appropriate to answer the research questions since no new variables to be tested were being introduced nor the aim of the present study was to re-dress an existing problem in a specific organisational context and, most importantly, the researcher does not possess control over events that might happen. Moreover, case studies and comparative surveys are the two dominant methods adopted by international researchers (Tregaskis, 2004).

#### **3.2.5.1 Survey research**

Surveys are commonly used in management research and are usually linked to a positivistic paradigm and a deductive approach (although not in this thesis). This research strategy entails the collection of data in a standardised form from groups of people (Anderson, 2012). Questionnaires (telephone, postal or emailed) are widely used

to obtain the data although- where appropriate – other data collection techniques, such as structured observation and structured interviews can also be used. Generally, surveys are used to obtain a large number of data, hence a sample is selected from the whole population that could be investigated and the questionnaires will be sent out to the sample only. This is not necessarily the case in the present study because the number of Finnish MNCs operating in Italy is very small, only 27 organisations. Hence the whole population will be surveyed.

Social research differentiates between descriptive and analytical surveys (Rea and Parker, 2012), the former having as its primary goal to identify and count the frequency of a specific population, while the latter aims to determine whether there is any relationship between different variables. The aim of the survey in the context of the present study would be to find out WHAT HRM policies and practices Finnish MNCs use in their Italian subsidiaries (mainly descriptive), the WHY/reasons behind the choice of HR systems (identification of potential variables) would then be pursued in the interviews.

Advantages and disadvantages of using surveys as a strategy have been discussed by Anderson (2004). In table 13, drawn from Groves (1996) and Neuman (2003), they have been summed up as follows:

**Table 13 - Advantages and disadvantages of using surveys - adapted from Anderson (2004: 50).**

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• Relatively cheap to organise</li> <li>• Can achieve broader coverage</li> <li>• Can be undertaken within a shorter time-frame</li> <li>• Produces a high volume of information</li> <li>• It is relatively easy to present the data</li> <li>• Can be repeated again</li> </ul>	<ul style="list-style-type: none"> <li>• “Depth” is sacrificed for “breadth”</li> <li>• Poor questionnaire design leads to poor quality data</li> <li>• A poor level of responses may make data unrepresentative</li> <li>• There is no control over who responds to the questions</li> <li>• Questions might not be interpreted in the same way by all the respondents</li> <li>• The responses of some respondents may follow from private agendas</li> <li>• There is no knowing what those who do not reply think</li> </ul>

For the purpose of this study, the main advantages would be the ability to reach the entire population, within a realistic time-frame. Ease in analysing and interpreting data is also an important advantage. As per the drawbacks, some of the pitfalls as they appear in the above table have been addressed and somehow resolved: greater depth should be achieved by complementing the survey with the case study interviews; the questionnaire that will be used is an adaptation of a well –used and tested questionnaire which has been effectively used by the CRANET network for many years; interviewing HR professional via telephone ensures that the researcher is aware of who is answering the questions asked; the telephone survey also allows for clarifications if the respondent feels unsure about the meaning of any of the questions. Unfortunately, there is no guarantee that the response rate will be as high as expected and the researcher cannot make assumptions for what the non-respondents think. Finally, it is a common risk of social research that respondents might not be honest in their answers, but good questionnaires that comprise probing questions should be able to spot ‘false truths’.

Surveys have been considered by the Cr network researchers as an appropriate international research tool to quantify the phenomena of interest (Tregaskis, 2003).



### **3.2.5.2 Case Study research**

This research strategy deals with a single case or a small number of related cases. It allows for a problem/issue to be investigated in greater depth so that further understanding can be gained by the contextual analysis of the case and by the analysis of the interaction of different factors and events (Anderson, 2012). “Richer” data can be produced. It is a good strategy to generate theories and the role of the researcher is determinant in constructing this new knowledge. It can hence be seen as shaped by a constructivist paradigm and following an inductive approach. Yin (2003) recounts a range of data collection techniques that can be used, such as interviews, ‘participant observation’, physical artefacts, historical research and the analysis of relevant documentation. In the present study, as explained above, participant observation was not possible, while analysis of company documentation and interviews were the chosen methods.

Valerie Anderson (2004:53) provides an illustration of some advantages and disadvantages related to the use of case study research. The table below, compiled by Anderson and informed by Ragin and Becker (1992) and Yin (2003), highlights some of the main issues, these have been presented in table 14:

**Table 14 - Advantages and disadvantages of using Case Studies - adapted from Anderson (2004: 53).**

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• One issue can be studied in depth</li> <li>• The interaction of factors and event can be taken into account</li> <li>• Breadth in the methods of data collection</li> <li>• Access to one organisation (or a small number of cases)</li> <li>• The case study can focus in depth on one department or group</li> </ul>	<ul style="list-style-type: none"> <li>• A huge volume of qualitative data may be difficult to analyse</li> <li>• Potential difficulty in cross-checking information</li> <li>• Generalisation is not possible</li> <li>• The researcher may individually influence and be influenced by the case</li> </ul>

Unfortunately, not very much can be done to counteract the drawbacks listed above. With the case studies here being “mini case-studies”, consisting of four companies and four interviews, there is no danger that a huge volume of data might be produced. Cross-checking information should be allowed by the fact that in semi-structured interviews all participants would be asked the same questions, on the same issues, hence any inconsistencies should be easily recognisable. Moreover the cross-checking would happen between questionnaires and interviews responses.

Although case study research does not allow for generalisation, its value lies in that it can shed light on important themes and gives the researcher the opportunity of making sense of an unfolding process or event in a way that may gain consensus about how to proceed in research studies with similar aims. In this sense it addresses the issue of generalisation through ‘illuminative’ rather than ‘predictive’ validity (Smith, 2004). A few, small case studies can catch the complexity and situated-ness of behaviour that might lead to the formulation of new questions and research propositions. One more strength of the case study lies in its ability to explore the meaning of complex concepts, such as the ones related to cultural values, and unravel specific features of the embeddedness of this and other phenomena (Tregaskis, 2003).

Another important reflection that should be made here concerns the impact the researcher might have on the research process and on the way respondents behave in an interview context and whether by asking questions the researcher brings issues to the fore. It is widely acknowledged that inductive research methods (such as interviews) will bring forth all the limitations of an interpretivist approach, as discussed earlier. But, as also indicated earlier, the lack of objectivity and detachment are compensated by the richness of the data produced.

Moving on to Crotty's (1998) fourth and final stage, the choice of data collection methods will now be discussed.

### **3.2.6 Research techniques and data collection methods**

Saunders (2009) recommends the evaluation of all possible data collection methods in order to make an informed choice and opt for the one deemed most appropriate to the research question(s) and objectives. Consequently, a 'multi-method' approach was chosen, involving a telephone (or web) survey as well as semi-structured interviews with managers of four Finnish corporations operating in Italy. Findings from the survey were used to inform the structure of the interviews, so that interesting issues could be further explored in the discussion. In the paragraphs below an account of the main issues surrounding telephone surveys and semi-structured interviews will be presented and the researcher will explain how these were designed and administered and how contribution and limitations of these techniques were considered and taken into account.

#### **3.2.6.1 Telephone survey**

Response rate in Italy is generally quite low; experience shared by the CRANET researchers highlighted the difficulties of involving participants (Steinmetz et al, 2011).

For greater speed of data collection and to try to achieve a higher response rate (by explaining verbally to the respondents the intentions of the project and the value of their input), a telephone survey method has been selected. Corbetta (2003) argues that, compared to other techniques, telephonic interviews are characterised by less resistance to participate from the part of the respondents. It is also easy to input the data straight into a computer for immediate analysis. Barriball et al., (1996) add that the telephonic interaction ensures the use of 'sound practice' during data collection. Unfortunately, some drawbacks have to be acknowledged, such the lack of 'contact' with the respondent and the lack of time as often respondents only allow a small time 'window' to the interviewer (Barriball et al., 1996; Corbetta, 2003).

In the case of a telephonic survey, it can prove difficult to arrange a suitable time for the respondent to be available and many calls have to be placed before finally being successful (if lucky!). 'Cold calling' is also not generally well accepted and the researcher needs to be prepared to argue her case. Valuable counsel given by various authors (Anderson, 2012; Saunders et al., 2009 and Bryman and Bell, 2011) advice researchers to communicate clearly the purpose of the study and the sort of questions that will be asked; doing so by using a 'business' rather than an 'academic' language and sell the benefits of the research. A copy of a report that anonymously summarise the approach to HR policies and practices of Finnish corporations in Italy will be offered to all participants, this may be useful as a benchmarking exercise; participants were also offered the opportunity to win a Kindle Fire. The researcher should also be patient and persuasive.

Some measures were also put in place to make sure that an established protocol was followed and that the calls placed and the respondents' replies were recorded. Each respondent was called for the first time to be asked whether the researcher could send an

email with a presentation letter and some information about the research study and what was the most convenient time to call again to go through the survey questions. Each respondent was called for a maximum of five times (Anderson, 2004). Following the good practice recommended by researchers of a large on-going European Survey (Stoop et al., 2010) a standardised data file comprising information on company's contact persons and details (time, outcome) of the call was created.

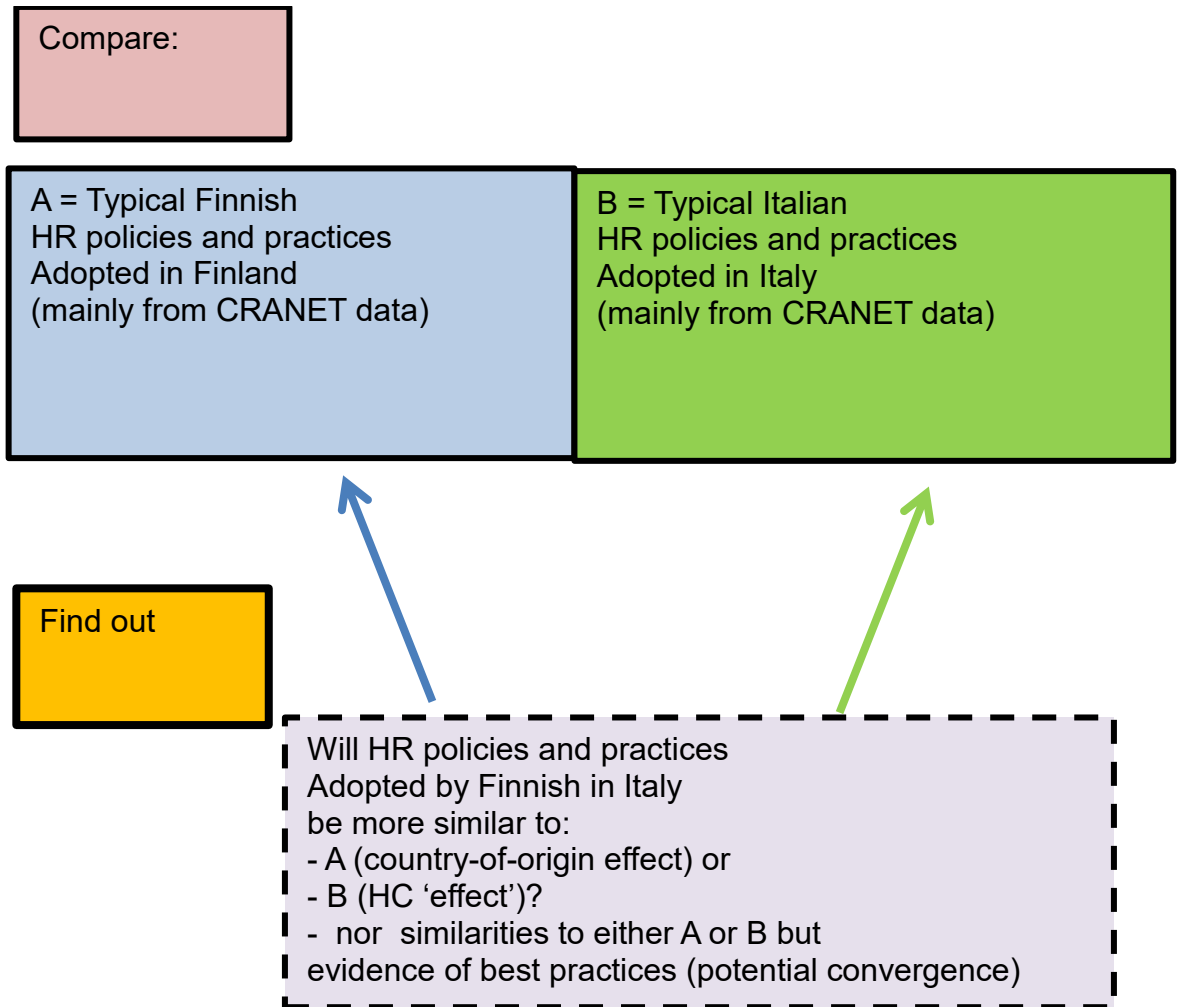
In the cases where managers were reluctant to fill out a questionnaire over the telephone, respondents were given the option to either be sent an electronic copy of the questionnaire, or to be given access the questionnaire anonymously via an online link. They were kindly asked to please complete and submit their responses within a week.

Interviews took place between January and May 2013.

#### **3.2.6.1.1 The questionnaire – Why the CRANET questionnaire?**

The aim of this thesis is to try and find out how Finnish MNCs “do” HR in Italy with a view to identify a potential country-of-origin effect. One way of tackling this issue is to firstly identify what Finnish HR policies and practices are customarily adopted in Finland by Finnish companies, secondly identify Italian policies and practices customarily adopted by Italian companies in Italy, and finally finding out what are the HR policies and practices chosen by the Finnish in Italy to see whether they resemble more the country-of-origin or the HC practices.

**Figure 8 - Aim and rationale of comparing Italian and Finnish HRM systems with the use of the CRANET questionnaire.**



**In order to allow for a like with like comparison, results from the CRANET survey have been used, together with other information sources.** The CRANET team, in their longitudinal analysis of European countries have captured preferences for/use of HR policies and practices in Italy and Finland by using the same instrument in both Countries, hence allowing for a more reliable comparison of findings. As to be able to map the areas when Finnish MNCs in Italy more closely resemble to either Finnish (country-of-origin) or Italian HR management systems, the researcher has decided to use the same questionnaire to investigate the ‘Finnish in Italy’. Moreover, the questions addressed by the questionnaire closely reflect the areas of identified dissimilarity between Finland and Italy, according to both cultural and institutional differences (see tables 6 and 10) and directly tackle this study’s research propositions.

Besides providing a simple and clear method for identifying similarities of practices used in Italy by Finnish MNCs to either the country-of-origin or the HC, the CRANET questionnaire has been chosen for a number of other reasons, discussed hereafter.

The CRANET questionnaire is a tried and tested instrument, whose validity has been accepted by the wide international academic community, as it has been designed by a multi-cultural volunteer working group that represents all the members involved in the research. Researchers (especially comparing researchers from different Countries) all have a different ‘individual cognitive referential systems’, shaped by our very own disciplinary, cultural, social, institutional and intellectual environments (Turati et al, 1998), to control for the ambiguity that might arise as a consequence of this, the CRANET network is made up by a group of international researchers, all aware against the possible dominance of a particular culture (ethnocentrism).

Moreover, the questionnaire surveys HR policies and practices in a comprehensive manner, it’s constantly updated to reflect emerging issues and trends and **it’s designed to allow valid comparability across countries.**

“The items within the survey were initially derived from a comprehensive review of the literature on HRM practices. The questionnaire was developed in 1989 based on the literature available at that time and on discussions within a network of academics with expertise in HRM. The survey has been repeated several times since 1989 and has been revised on each occasion, based upon up-dated literature reviews and upon discussions within the research team and with senior practitioners. For each survey round, the questionnaire is designed by a sub-section of the Network in cooperation with the coordinator at Cranfield School of Management, UK; and is then approved by the rest of the Network. The questionnaire is developed in English and then translated in the national local language where appropriate. Translations of questions are slightly amended between national questionnaires to capture the nuances in meaning between languages. The questions are blind-translated into the national language by a translator with some familiarity with HR and then translated back into English by a different translator. Any differences are discussed in order to capture the universal international comparative meaning of the terms as closely as possible. As much as possible the questionnaire items are held comparable over the years, although insights and developments in HRM have led to a number of changes to the questionnaire. The survey is focused on factual questions about practices in the organizations and not so much

about opinions. This is to be able to capture the more objective elements of the HR architecture and to be able to create a comparable base.” (www.CRANET.org).

One of the aims of the CRANET survey itself is to assess whether a convergence of HRM systems across Europe can be observed, as looking for a potential convergence toward models of best practices is also one of the stated aims of the present study, the questionnaire was deemed to be a very useful instrument.

**In a recent study by Brewster et al. (2008) findings from the CRANET survey have also been used to review the convergence versus divergence debate with the support of cultural and institutional theories, providing yet another justification for the choice of the instrument.**

Unfortunately, one of the problems encountered related to the fact that the researcher had to use the questionnaire distributed in the United Kingdom (the only one published) and translate it into Italian, even if an Italian version had already been produced. Various attempts to receive an answer from the CRANET Italian partner were not conducive, and neither were the efforts of the CRANET project co-ordinator, who kindly tried to intercede.

Translation of questions intended to measure HR practices in different Countries is not an easy task, since beside the linguistic equivalence, semantic equivalence has to be established, as there are measures that assume different meanings in different Countries or that might not be applicable to the Italian institutional setting altogether (Steinmetz et al, 2011). The CRANET partners addressed this problem by using translation and back translation techniques (Hui and Triandis, 1985) and the researcher decided to do the same. Being fluent in the two languages, English and Italian, being a ‘registered interpreter and translator’ with Plymouth City Council, holding a University degree in



modern languages and finally, being fully conversant with both British and Italian HR terminology, the questionnaire was translated by the same researcher, who then asked an Italian HR professional, who now works in the UK (hence also fully conversant with HR in the two Countries) to back translate it. Some time was then spent talking about the relevance/applicability of some of the questions in the Italian setting and a few questions, specifically related to organisational performance, were omitted. An overview of the structure and content of the questionnaire will be given in Appendix 1.

As the original questionnaire was only slightly amended, after lengthy discussions with a few Italian HR colleagues about the clarity and validity of the questions, no pilot study was deemed necessary.

#### **3.2.6.1.2 Questionnaire data analysis**

Questionnaire responses were analysed using descriptive statistics as the small sample only allowed for very limited use of statistical techniques. Hoyle (1999: XVI) advanced a number of suggestions for small sample size research, including: a) increasing the sample size (in my case impossible); b) use statistical approaches which are a good fit to the research questions, if possible (descriptive statistic seemed to be the only option). Another option would have been not to use a questionnaire at all, but since the questionnaire provided a comprehensive picture of the general HR situation of Finnish subsidiaries in Italy, it was decided that even from the study of frequencies; very interesting points would have emerged.

### **3.2.6.2 The mini Case Studies**

The mini Case Studies comprise of four Finnish MNC operating in Italy. When invited to respond to the questionnaire, participants had been asked to express their interest in participating to the phase 2 of the project which involved a telephonic interview. Five respondents gave their availability but one could unfortunately not participate in the study in the end. The definition of ‘mini case study’ will be used as each organisation has been studied with great depth and although no ‘in-situ’ observations were possible, an analysis of company documentation (annual reports, values and mission statements, memos and communications, company websites, related company wiki-sites etc.) as well as a historical development of the organisations have been undertaken as part of the data gathering process and have informed the research process (Yin, 2003). Multiple case studies have been chosen as they “allow the researcher to compare and contrast the findings deriving from each of the cases...and promote theoretical reflection on the findings” (Bryman and Bell, 2007:63). Initially one respondent per case study (3 local managers and 1 corporate/global HR manager) was interviewed and interviews took place in May and June 2013. Following a re-structuring of the study, two more respondents, two HQs HR managers, were selected to provide a Headquarters’ perspective and interviews took place in September 2014. Unfortunately, at the very last minute one of the global HR managers decided to use his right to withdraw from the study and any references to his contributions have had to be removed. All that the researcher is allowed to state is that his answers very closely mirrored the answers given by Markus, the global HR manager in Mazaan, and that his position strongly supported the HQs versus local managers divergent views of the relationship between the two parties.

### **3.2.6.2.1 Interviews**

“Interviews provide in-depth information pertaining to participants’ experiences and viewpoints of a particular topic. Often times, interviews are coupled with other forms of data collection in order to provide the researcher with a well-rounded collection of information for analysis” (Turner, 2010: 754). In this thesis questionnaire and interviews will be used jointly as to get ‘well-rounded’, ‘rich-quality’ data.

Academic literature distinguishes between three main types of interviews; Easterby-Smith et al. (2008) name them highly structured, semi-structured and unstructured respectively. They argue that highly structured interviews are suitable for gaining “quantitative result from a carefully targeted sample” (p.143), hence are widely used within market research; semi-structured interviews are defined as ‘guided open interviews’, where there is a certain element of structure in the way questions are designed and then phrased to allow for a more ‘open’ answer; unstructured interviews are generally used within the context of ethnographic research. The same authors also warn us of the need to find the right balance between ‘directive’ and ‘non-directive’ interviews. Although it is true that the researcher should not feel tied up by his/her own frame of investigation and a certain flexibility should exist in the choice of line of enquiries to follow during an interview, it is also true that for sake of validity and reliability of the data collected, the same questions should be asked in the same way to all the respondents, otherwise we run the risk of collecting inconsistent data and we could not compare/probe the way different people see the same issues. The lack of structure might pose a problem in that it might fail to align interviewees’ and interviewer’s expectations.

Gall et al. (2003) make a distinction between three different interview 'formats': the informal conversational, where no specific questions are asked and the interview is guided by the participants and the researcher gains insight from the interaction and constructs questions depending on the context (McNamara, 2009); the general interview, which is more structured than the conversational approach but still leaves a lot of flexibility about the way questions are posed and worded; and the standardised open-ended interview, which is in turn extremely structured in the way the questions are worded, but making use of open-ended questions still allows the respondent to express their viewpoints quite openly, while also allowing the interviewer to ask probing questions as they go along. The latter is the most commonly used interview format, as both the informal and the general interviews are criticised for being unreliable because of the inconsistency in the interview questions (Creswell, 2009). The only critique moved to the standardised open-ended (equivalent to Easterby-Smith et al., 2008 semi-structured interview) is the difficulty that will be experienced when coding the data or extracting similar themes as open-ended answers (although rich and 'thick') produce a more complex narrative to be decoded (Creswell, 2009).

Semi-structured/standardised interviews have been selected as it is part of the research study to try and examine the participants' viewpoint in a way that adds new insight, extends (and possibly confirms) survey data and helps with theory building.

Due to resource constraints, interviews were carried out over the telephone. Rubin and Rubin (1995) argue that telephone interviews may undermine the researcher's ability to pick up on important 'visible cues' and might affect the facility of building a relationship, which in turn might lead to problems in interpretation. They also suggest that these difficulties can be overcome by 'communication validation' during the course

of the interview with techniques such as reinforcing of the key points and discussion aimed at verifying the meaning of the interviewees' remarks. Communication validation techniques were, such as repetition of the respondent's sentences; use of probing questions (such as asking for clarifications and examples, again with an element of repetition, e.g. "what did you mean when you said...?") as to both allow the researcher to take more accurate notes and to also make sure that no mis-interpretation occurred.

Important considerations that were taken into account when conducting the interviews , as recommended by Zorn (2001):

- The interview was planned, including suggested questions;
- Use of appropriate language (with no jargon) was considered;
- The purpose of the interview was reiterated (it had already been explained in the presentation email); an ethical note was read to participants on how confidentiality and anonymity would be granted and how the data would be utilised. Permission was asked for tape recording (denied) or note-taking (accepted). The format of the interview was also explained.
- The first question asked was about general information about the company, as to relax the participants.
- Questions were designed to be broad and open, encouraging interviewees to 'tell a story' and generate a narrative response. Leading questions were purposefully avoided. Probes were used to: double-check the interviewer's understanding; allow more time for note-taking; assessing any potential inconsistencies with previous answers and to gain more in-depth information. Example of probing questions used include "What did you mean when you said...?" or "can you give me an example of...?"

- Silence was used strategically, together with humming sounds as to encourage the participant to continue.
- Non-verbal behavioural nuances (such as pauses and hesitation, laughter or ironic remarks, changing tone of voice, potentially indicating enthusiasm or resentment) were also noted (at times explored) during and immediately after the interview.
- The end of the interview asked participants to add anything they thought might be relevant and important for the researcher to know and included the re-reading of the notes taken and again an opportunity for participants to comment
- The recording of the interview was checked and transcribed into NVivo and personal notes were added.

Interview questions were designed to cross-check questionnaire responses and to clarify WHY/HOW HR policies and practices are determined in Italy. More details about the questionnaire used in the first round of interviews can be found in appendix 5b.

For the second round of interviews a new questionnaire was designed, the same topics asked to the local managers were covered, but this time more emphasis was placed on the role played by either HQs or local managers in HRM and to explore power dynamics and relational variables. A copy of the questionnaire can be found in appendix 5c.

All respondents expressed a preference for not being tape-recorded; hence accurate notes were taken during the interviews (including some quotations). The use of probing questions proved essential to allow the interviewer to record the discussion with as much detail as possible. All interviews in the first phase lasted between 50 and 80

minutes (this included the time spent on verifying the validity of the answers given in the survey), while in phase 2 they were shorter and lasted approximately half an hour. Respondents were asked if they wanted to receive a copy of the researcher's notes for validation purposes but they all declined, hence interview notes were read back to them for a final validation and again respondents were asked if there was anything they wanted to add. The researcher also made some notes on the tone of the interview, on the attitude expressed by the respondents with regards to certain topics (e.g. the HQs – subsidiary relationship), pauses or hesitations in responding and comments were also noted and added to the transcription into NVivo.

#### **3.2.6.2.2 Analysing case study data and thematic analysis**

Interview notes were uploaded on NVivo, this facilitated the identification of main themes (nodes) and matching them to supporting evidence. Selected important information coming from company documentation was also imported in NVivo, where each case study company constituted a separate 'source'.

A thematic analysis was then carried out. Thematic analysis is consistent with a constructive research approach (Guest et al., 2011) and tries to expound meaning through the identification of emerging themes, where by theme we refer to "a specific pattern found in the data" (Joffe and Yardley, 2004:57). Themes were coded using both 'deductive' coding (select content on the basis of pre-formulated research questions/propositions) and 'inductive' coding (emerging from the raw information), (Joffe and Yardley, 2004).

Following recommendations from literature (King et al., 2004; Morgan, 1997) a seven-steps framework to analyse the data has been used:

- 1 Organise Notes - All interview notes were re-written and checked and were uploaded onto NVivo. This was done immediately after each interview so that no details were lost. Document summary forms were created for each case study as to identify most salient points that could be related to main themes;
- 2 Read in its entirety/Data Familiarisation - This phase is really important as reading again and again helps discover meanings ‘under surface’ (Stephen and Fisher, 1994). It is also important to read the sections individually and then read them as part of their ensemble, as the parts have to be related to the entirety and vice versa to pull out deep meaning, as in a hermeneutic circle (Love, 1994; Zimmer, 2006);
- 3 Generate initial codes - Deductive codes were inputted in the system as this facilitated the research for themes. Initial codes were related to the research questions (e.g. to each of the HR areas under consideration and to the relational values). Other codes that were developed, following Miles and Huberman (1994) related to the context of the study; perspectives of the informants; relationships and social structures;
- 4 Search for themes - In NVivo nodes were created with relevant sections of the interviews attached to the nodes. Similar codes have been combined to generate abstract codes;
- 5 Review themes and make notes - An analysis of the various nodes and the information allocated to each node was helpful in understanding the value of the themes and identifying any ‘faults’ in the researchers’ reasoning. ‘Memoing’ was used as a ‘sense-making’ tool in order to theorise the write up of ideas about themes and their relationships and tie data together in a cluster (Miles and Huberman, 1994);
- 6 Define and explain themes - Themes can now be defined and discussed and related to research propositions and literature review;



- 7 Generate new theory/Extend existing theory – Final conceptualisation and theoretical contribution via the creation of a new framework or the extension of existing ones.

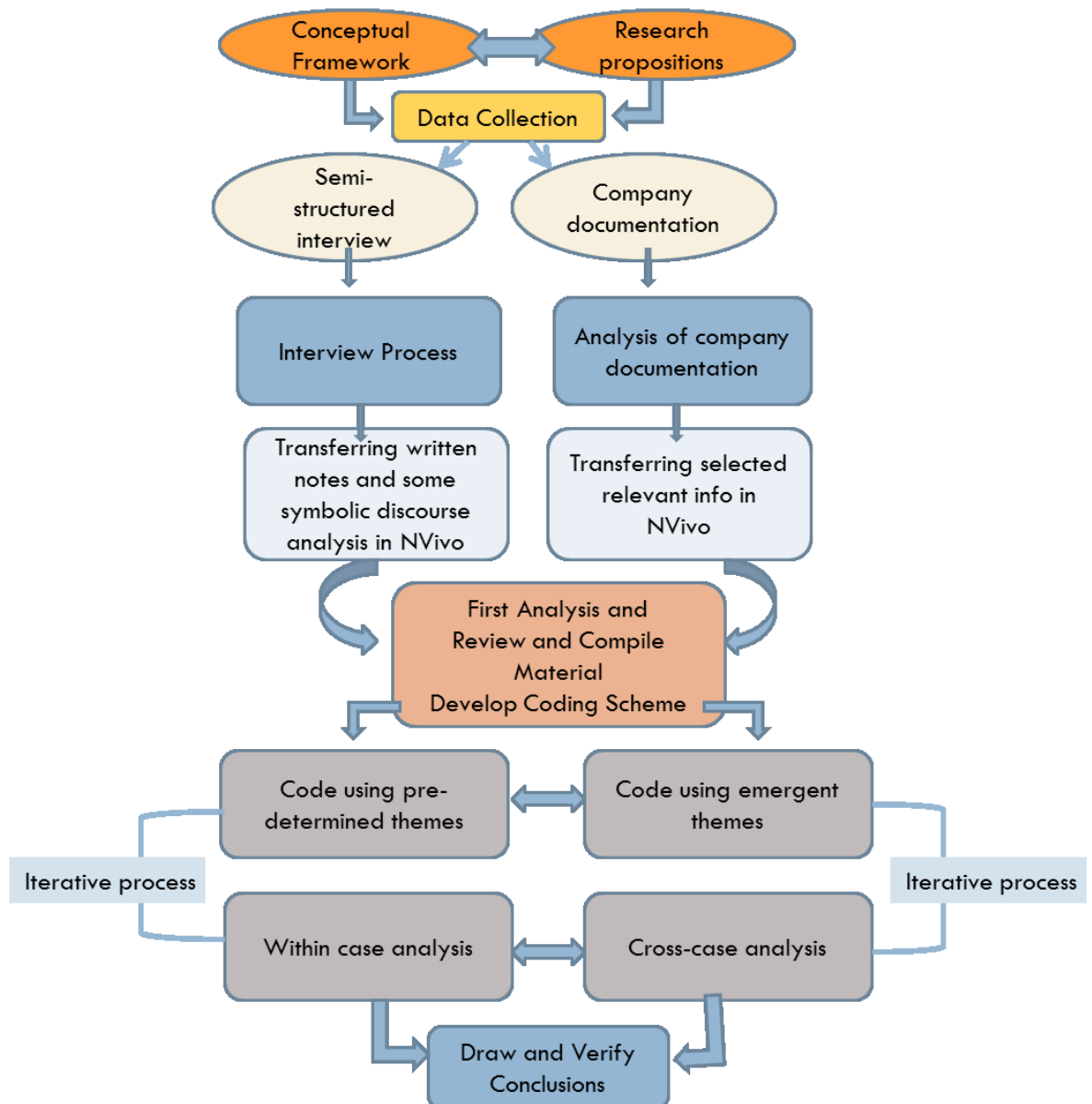
It is also important to realise that coding is an iterative process that doesn't happen just at the beginning of the data analysis process. Following Lincoln and Guba's (1985) advice, in order to allow for new insights to emerge; extend themes and identify new relationships between them, data and existing codes have to be interrogated later on as well, as to allow for: a) 'filling in' (restructuring a coherent scheme so that a new insight can emerge; b) 'extension' and 'bridging' that will allow the researcher to see potential new relationships and c) 'surfacing', where new categories emerge until 'saturation' occurs, that according to Miles and Huberman (1994) only happens when sufficient regularities have appeared.

In order to support nodes/themes and conclusions, verbatim quotations or summaries of the respondents' arguments will be presented and to provide a within and cross-case description, graphical displays (e.g. meta-matrix, table 22) will be provided. Data across case studies and respondents will be compared and contrasted.

Positive and negative evidence for the initially formulated research propositions will be provided (e.g. in a summary form in table 23). Relationships between emerged variables will be established and only then particulars can be subsumed into the general and conclusions can be drawn (see figure 28). The quality of the conclusions will be analysed (see triangulation in the next paragraph and in table 24; and quality issues in 3.2.8) and negative evidence will also be considered.

In the following figure, a summary of the process of data collection and analysis is outlined:

Figure 9 - The process of data collection and analysis (adapted from Miles and Huberman, 1994)



Descriptive and explanatory displays will be provided to present and analyse coded data and to support theme evolution and conclusions.

More insight on the process of data analysis is provided in chapter 5, but also in appendices 4 and 6.

### **3.2.6.3 Triangulation of data**

Triangulation is defined as a technique for cross verification of data that come from two or more sources (Rothbauer, 2008). It is widely used to ‘validate’ data obtained from multi-method research (as in this thesis from secondary sources; survey and interviews). Social research differentiates between four types of triangulation: data, investigators, theories and methodologies triangulation (Denzin, 1989). Denzin believes that the value of the approach is to minimise the intrinsic bias of single-method, single-observer, single-theory studies (1989: 313) and supports the view that the fundamental purpose of triangulation is to confirm the researcher’s results and conclusions. According to Arksey and Knight (1999) triangulation can also enhance interpretability while on the other end it can be time-consuming and depends on resources. Moreover, triangulation can make replication of the study more difficult.

According to Thurmond (2001:253): “the intent of using triangulation is to decrease, negate, or counterbalance the deficiency of a single strategy, thereby increasing the ability to interpret the findings”.

Findings coming from the survey and from the interviews will be triangulated with the aim of cross-checking the validity of the findings and also to add depth to the questionnaire data by integrating it with richer data coming from the interviews. Data obtained from secondary sources will also be triangulated (CRANET survey, 2005, 2011), this will be done in the discussion section.

### **3.2.7 Ethical considerations**

When undertaking research (and especially during data collection and analysis) it is important to make sure ethical guidelines are adhered to (Marshall and Rossman, 2010), hence issues such as confidentiality, anonymity and honesty should be considered,

amongst other things (Bodgan and Biklen, 1982). The researcher used the university's ethical model which closely follows the six key principles set out in the ESRC Framework for Research Ethics ([www.ethicsguidebook.ac.uk](http://www.ethicsguidebook.ac.uk)), namely:

- the integrity of the research;
- Informed consent was sought from all participants before they responded to the interview questions (an ethical statement was read to them emphasising that they had the right to withdraw from the study at any time);
- Respondents participated in the study voluntarily;
- Confidentiality and anonymity of research respondents will be respected;
- Participants cannot be harmed in any way; and
- The current research is independent and impartial.

The purpose of the research was clearly explained to respondents in the presentation email and again re-emphasised before the interviews; participants were always reminded of their right to opt out. The online questionnaire and the interview notes will be destroyed after use.

### **3.2.8 Quality issues and rigour in business research**

Evaluating a research study is important to ensure that the study is 'sound' and valuable. Bryman and Bell (2007) argue that "three of the most prominent criteria for the evaluation of business and management research are *reliability*, *replication* and *validity*" (p.33). *Reliability* often equates with *replication*, generally linked to quantitative approaches but equally important in inductive strategies (Will similar observations be made by different researchers on different occasions?). The main concern here is that interpretation of the results might be biased by the 'moment' in which the data were gathered or by the approach used by the researcher to interpret the

data. In the case of the present study, both research process and rationale for the choice of approach as well as methods of investigation have been clearly explained and detailed to allow for replication.

*Validity* relates to the integrity and generalizability of the conclusions of the study. Integrity is ensured when research findings can be explained by the construct under investigation. In the physical sciences the generation of empirical laws leads itself to generalisation, unfortunately complexity and uniqueness of research in the social sciences will have an impact on the generalizability of results. Saunders et al. (2003) believe that because of the ‘ever-changing world of business organisations’, “the circumstances of today might not apply in three-months’ time ... some of the value of generalisation is lost. Similarly, if we accept that all organisations are unique, that too renders generalisation less valuable” (p.84). This study does not claim to be generalizable, as it is a ‘snapshot’ of a unique interaction (between Finnish MNCs and the Italian local context); its validity proceeding from the robust theoretical background and the rigour in collecting and analysing data.

Miles and Huberman (1994) set some standards with regards to the quality of the conclusions of a given study, namely: objectivity/confirmability; reliability/dependability; internal validity/credibility/authenticity and external validity/transferability.

In response to some of the queries the above researchers advance to question the *objectivity* of research findings, *the present study*:

- Describes general methods and procedures explicitly and in great detail, including ‘backstage information’, such as a comprehensive literature review and companies’ background information;

- Will explicit the sequence of data collection → data processing → data condensation and an ‘audit-trail’ will be provided;
- Will consider rival conclusions, which will be discussed in the data analysis and discussion chapters;
- Will acknowledge any potential personal biases and assumptions held by the researcher that might have affected the study.

In response to some of the queries advanced to question the *reliability* of research findings, the present study:

- Is based on clearly formulated research questions and on a study design which is congruent with these;
- Paradigms and analytical constructs have been clearly specified;
- Data were collected to answer the research questions and in line with the selected paradigm of analysis, response rate proved problematic and this will be acknowledged as a limitation in chapter 6;
- Data quality checks will be performed and the researcher’s supervisor will ‘peer-review’ procedure and findings.

In response to some of the queries advanced to question the *authenticity* of research findings, the present study:

- Will triangulate findings form secondary sources, survey responses and interview responses;
- Will discuss the accuracy of initial predictions (research propositions) and the rules used to validate or disconfirm the above;
- Will check for internal coherence and identify areas of uncertainty, also by taking into account any negative evidence.

In response to some of the queries advanced to question the *external validity/transferability* of research findings, the same considerations made above with regards to generalisation will apply.

Finally, as far as *utilisation/application* of the present study is concerned, in chapters 1 and 2 a rationale and a literature review in support of the importance of this investigation was provided and the contribution of the previous study to the body of knowledge will be further discussed in chapter 6.

Lincoln and Guba (1985: 310-319) insist that in the specific case of qualitative data, integrity should be guaranteed by means of an ‘Audit trail’, which comprises of 6 main elements:

1. The accuracy of **raw data**, in the case of the present study, the researcher has done her best to accurately transcribe interview notes in NVivo and to report all important documentation about company policies gathered through websites and other documentation provided by the participant organisations;
2. **The analysis and ‘reduction’ of data**; NVivo allows for the creation of notes, where initial data might be condensed and summarised and initial researcher’s notes might be added. The author has followed this procedure to find meaning in the interview notes and to relate condensed notes to initial theoretical frameworks;
3. **Data reconstruction and synthesis products** – the researcher, on the basis of the proposition emerged from the literature review organised data into themes, while at the same time other themes (e.g. the importance of trust in the HQs-subsidiary relationship) emerged from the reconstruction of the raw data. These themes will

be discussed in the data analysis section while concepts, relationships, and interpretations will be integrated and discussed in the discussion chapter;

4. **Process notes** - including methodological notes (relating to procedures, designs, strategies and rationales) and issues around trustworthiness (relating to credibility and confirmability) have been discussed earlier in this chapter, while an overview of the audit trail will be provided in appendix 6.
5. **Materials relating to intentions and dispositions** – e.g. inquiry proposal, have been spelled out in the research objectives and propositions/expectations (predictions and intentions);
6. **Instrument development information** – have also been discussed earlier in this chapter.

### **3.3 Concluding remarks and theoretical framework**

In this chapter, the methodological approach to the present study has been discussed and can be summarised as follows:

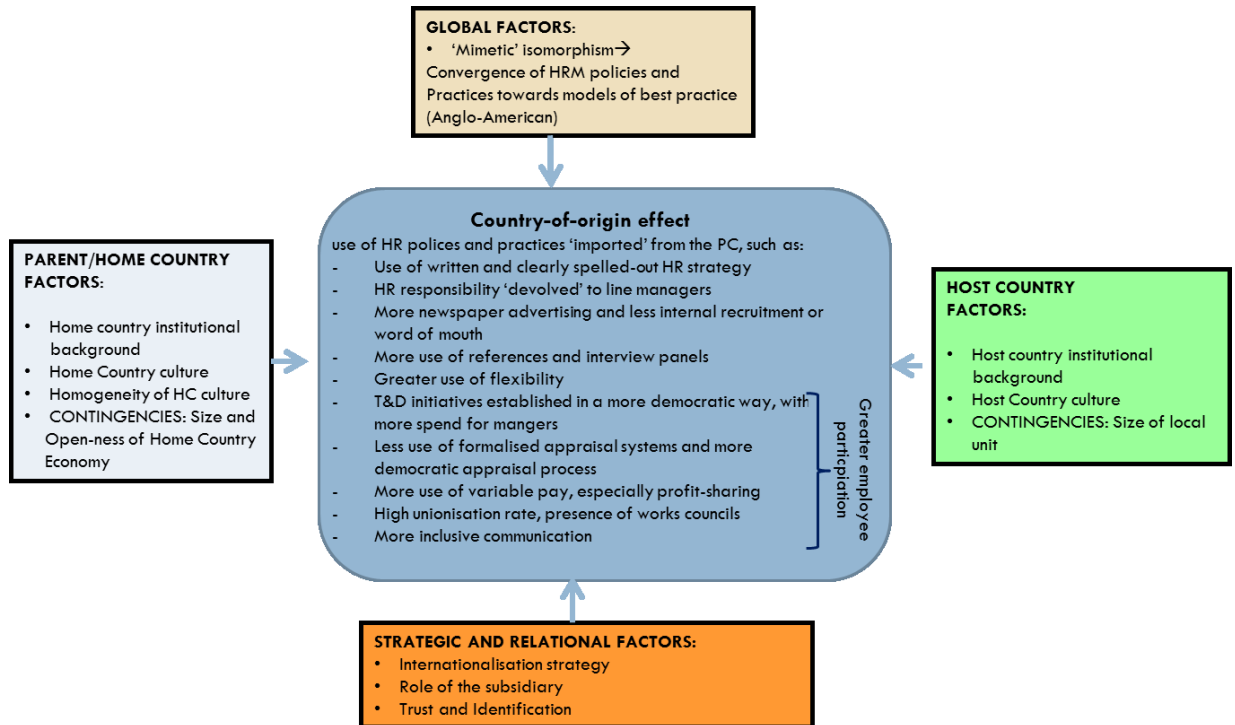
A subjective epistemological stance has been chosen, leading to an interpretivist/constructivist analytical stance. Methods chosen to tackle the research propositions identified in the literature review and the aims of the present study were: a) a questionnaire (adaptation of the CRANET questionnaire); b) a number of semi-structured interviews, and c) analysis of company documentation.

Ethical considerations have been taken into account as issues related to the rigour of both selected methodology and consequent analysis of findings and generation of ‘valid’ results.



A framework to guide empirical investigation, that takes into account both the critical management literature pertaining to the ‘parent-subsidiary’ relationship and cultural/institutional theories has been devised and is illustrated below:

**Figure 10 - A Proposed exploratory framework**



## **CHAPTER 4 – ANALYSIS OF SECONDARY DATA: COMPARING HRM SYSTEMS OF FINLAND AND ITALY - EMERGING EXPECTATIONS/PROPOSITIONS**

### **4. General Comparison Finland versus Italy**

Not much academic literature is available on international journals about HRM systems in Finland and Italy. Published studies are very few and often not up to date. One of the most recent and comprehensive analysis of HRM in Finland had been provided by Vanhala et al. (2006) and some specific Finnish traits will be discussed below. Vanhala et al. (2006) confirm that Finland is a typical Nordic welfare state, with a regulated market economy and a democratic social order. They also assert that Finland leads the way in the world in terms of economic and human development.

HRM in Finland originated as Personnel Administration during the first decade of the twentieth century in large organisations and adopted a ‘paternalistic’ approach towards employees. Finnish call the period following the Second World War the “initiation period” for HRM, where the main concern was the health and safety of the workforce. In the 1960s this pioneering phase, also called ‘personnel policy phase’ focused on the strengthening of the function and marked the beginning of personnel research. This phase in Finland was relatively short and it soon gave way to Personnel Management and the nature of its tasks and duties became more dynamic. In the mid-1980s the term HRM was introduced and the function became more strategic. Another important change, which has partly been attributed to the collapse of the Soviet Union and partly to the economic recession of the early 1990s, was the devolution/decentralisation of HR policies and practices to the line, a tendency that remains marked to this day (Vanhala, 1995). Strong responsibility and involvement of the line in HRM issues is a typical Nordic phenomenon, observed in all Scandinavian countries (Brewster et al., 2004).

Specific HR policies and practices and Finnish preferences will be discussed in the sections below.

Italian HRM is very ‘peculiar’ and context specific (Crucini, 2001). Scholars (Piore and Sabel, 1984; Gagliardi et al.; 1997) have found some justifications to this by referring to: the centrality of family businesses and interpersonal relationships; the “Third Italy”<sup>1</sup> and its flexible specialisation; and the importance of trust. Amatori (1997) adds other factors, such as the presence of only a few larger firms; the small size of the domestic market and the great divide between North and South. In addition, Pedrocco (1980) mentioned an industrialist (managerial) mentality that predominated for a long time during the Giolitti and Mussolini years; characterised by an authoritarian and paternalistic approach and very hierarchical relationships. These contextual variables exerted such a strong pressure that not even the influence of the Marshall plan and of the arrival of American consultancies in the 1950s succeeded in ‘Americanising’ Italian HRM (Crucini, 2001).

Sirianni (1992:30) in an excursus of the role of HRM in Italy from the origin to the 1990s identifies five main phases:

1. From around 1930s to the 1950s, where PMs were principally dealing with disciplinary issues. This was a time where tayloristic and scientific management principles were widely used and organisational conflict were often on the agenda (Derossi, 1982);

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<sup>1</sup> “Third Italy” is defined by Eurofund as the “Idiomatic term applied to the proliferation of small-scale skilled production units associated particularly with recent developments in parts of the country, chiefly in the regions of the North East (Veneto, Friuli), Emilia and Central Italy (Tuscany, Marches). The economic development of the “Third Italy”, based mainly on **industrial districts**, has been contrasted both with that of the North and with the backwardness of the South”.

2. The 1950s (post-war era) were characterised by the spreading out of US “human relations” philosophies. The main focus of the function became the search for consensus. Crucini (2001) narrates that many educational changes took place, such as the introduction of industrial institutes, new university degrees and post-university specialisations. New techniques for R&S and training were explored although, as Derossi (1982) argues, HR was still too affected by the paternalistic nature of the employee relations and by the underdevelopment of Italian industry, hence HR reforms were only confined to a small number of ‘enlightened’ companies;
3. In the 1960s PMs finally claim their autonomy and shift the focus of their work to the mediation of requests of both employees and company. Finally, some of the techniques learnt but not used in previous years were now implemented;
4. The 1970s saw PM initially busy managing ‘union conflict’ and later assuming a ‘political’ role aimed at boosting its power and its participation in strategic decision-making;
5. In the 1980s a reduction of the political role of PMs has been observed, possibly owing to a reduction of TUs’ representation and influence (resulting from the many errors made by TUs and the changes in both labour markets and society), replaced by a tendency to focus on human development. For a discussions on the role of HR between 1980 and 1990s, the author makes a differentiation between large and small companies; stating that while in large firms a range of new management techniques were used (most prominently: job and performance evaluations for managers; compensation schemes and training *for non-managerial employees* –as discussed later, training for managerial post has always been scarce in Italy-); a non-homogenous personnel policy is the rule in

small businesses as their choices are primarily affected by individual entrepreneurs' management styles.

In the last twenty years, with considerable delay compared to other European countries, (Ballarino and Cecchi, 2013) the HR function has gradually become more specialised and strategic. Attempts to reform old labour policies have also been made, worth mentioning: the 'Treu Package' against unemployment (24 June, n.196 – 1997) that authorised the use of temporary agencies and regulated/increased the use of 'work placements'; "Legge Bianchi" (14 February, n.30 – 2003) that regulates FWAs such as job-sharing; project working and annual hour contract; and more recently "Leggi Fornero" (2012) including a number of laws that try to bring more flexibility, more gender equality and a revised pension provision to employees. More details of specific HR policies and practices will be given in the following paragraphs.

The following section will draw from CRANET executive reports (2005 and 2011 respectively) and the author has respected the CRANET approach to presenting the data, as it also reflects the order and sequence of the questions asked in the survey.

CRANET data has been used in this research project as it provides an effective way of comparing "like with like", since the same HR areas have been investigated in all countries, providing a picture of what is *typical* HR practice in each of the countries studied. *Typical HR policies and practices in each country have also been found to be related to their 'embeddedness' in both their national cultural and institutional frameworks* (Brewster et al., 2011), *hence they assume more salience in the current study as it is the embedded HR practices that give way to the country-of-origin effect.* Furthermore, since an adaptation of the CRANET questionnaire has been used to collect

data in the present study (see 3.2.6.1.1), this will facilitate the researcher to ascertain cases where HR policies and practices used in the local subsidiaries more closely resemble either the PC's or the HC's.

Furthermore, in order to enhance their validity, CRANET data have been complemented by other data proceeding from both international journals (and national journals in the case of Italy) and from international and national databases (e.g. Eurofound, Eurostat, Eiro and ISTAT).

Data from both rounds of surveys has been used as Italy – presumably due to the economic crisis and the cutting of the funds allocated to research activity- did not take part to the last round. The assumption is that things haven't changed much in the 4 year-period that lapsed between the two surveys (2005 to 2009); this assumption is supported by the CRANET researchers.

#### **4.1 The Role of HR**

Most research studies on HRM across borders have chosen as their main focus the HRM policies and practices that are used by a firm. But, as Fey et al. (2004) argue, far less efforts have been dedicated to the question “who is mostly responsible for the HR work—line managers or HR staff?” They also argue that the role of line managers may be important in complementing formal HRM practices with informal processes, so that the firm's values and mission can be transmitted to the employees and suitable behavioural norms can be established. The role of line managers is also vital in sharing information and eliciting the right responses to the challenges that employees might encounter in their daily work. Moreover, as the sections below will suggest, whether

some HR activities have been devolved or not to the line might be representative of particular national preferences (related to cultural and/or institutional influences).

#### **4.1.1 Existence of HR Strategy**

In most countries the prevailing practice is most commonly a written HRM strategy. CRANET Survey findings (2005, 2011) show that this is especially remarkable in Nordic Country, including Finland, where around 78% of organisations have a written HR strategy. In some countries, like Bulgaria and Cyprus, however, there is a similar frequency of written and unwritten HR strategy (approximately 35%). Italy also strikes a very close balance of written (52%) and unwritten (40%) strategy. France is the only country where the use of an unwritten strategy is more common (50% versus 39%). It is very rare not to have an HR strategy at all; the only surprising case is Russia, where 39% of organisations do not have one.

An observation has to be made here, as Finland moved from having 67% of organisations using written strategies and 18% not having any strategy at all, to having 78% of its organisations making use of written strategies and 12% left without strategy. The number of companies using unwritten strategies has also diminished in favour of the written strategy (15% to 10%). It looks as if there is a marked tendency in Finland towards the use of more written strategy. This seems to be a ‘Nordic’ phenomenon, as this tendency has been observed in most Countries belonging to the Scandinavian group and it is not conducive to an Anglo-Saxonisation of HRM as both the UK and the USA have maintained (if not slightly reduced) their percentages of usage of written strategy, which –for both Countries- revolves around 60% (from 61% in the previous survey round) and in the case of the UK, we can also notice a minimal tendency to make more use of unwritten strategy (from 20% to 22%).

*We might expect that if Finnish MNCs in Italy prefer to make large use of written strategy, an influence of country-of-origin HR strategies might be present. On the other hand, if a more widespread use of unwritten strategy is observed, this might point to a 'localised' Italian approach. (This reflects what already hypothesised in Proposition 2a).*

#### **4.1.2 HR; Line management; HR with line management or other way around? Who has primary responsibility for determining HR policies and practices?**

HR activities are generally carried out by both HR professionals and line managers, but the amount of responsibility allocated to each of the two parties varies according to the HR policies and practices but also (and mainly) across Countries. This topic has been subject of interest for nearly two decades (Brewster and Larsen, 2000; Mayrhofer et al., 2011a, 2011b), with some researchers (i.e. Guest et al., 1996) arguing that the role of line managers is vital in HRM and more responsibility for the management of their own people should be placed upon them. Brewster et al. (2007) prefer to use the term 'assignment' (rather than delegation or devolution) to refer to this 'shift' of responsibility and Mayrhofer (2011b) analyse this trend on an international level; reporting that recruitment and selection; reduction and expansion of workforce and health and safety issues are more likely to have been 'assigned' to the line; while industrial relations and training are more likely to have stayed with the HR professionals. Brewster et al, (2011) argue that there are clear and constant dissimilarities between countries in their overall assignment ranking; with **countries like Italy and the UK still retaining most responsibility with HR and Nordic countries, like Finland assigning most responsibilities to line managers.** Brewster et



al. (2011) also argue that although variations in approach between organisations have been observed, the effect of country differences is indisputable.

In the case of R&S, in most countries, a tendency for HR and the line to share responsibility has been observed, although in some cases HR takes on an assisting role to the line, while in others it is the other way around. The ‘Anglo-Saxon’ preference is to have the two strongly working in partnership, with organisations choosing in equal percentages (50/50% approximately) to delegate recruitment and selection to either HR supported by line managers or vice-versa. Finland shows a marked preference for assigning the responsibility to line managers, supported by HR, while in Italy we have the opposite tendency (Papalexandris and Jones, 2011; CRANET, 2005). Attributing this preference to the belongingness to specific cultural and institutional clusters might be confirmed by the fact that the same preference is observed in countries that belong to the same clusters as Finland, such as – with the exception of Switzerland- the only other countries that show a marked preference for line management supported by HR are Sweden and Norway.

As in the case of Recruitment and Selection, the primary responsibility for Pay and Benefits is generally shared by the line and HR, with most common practice of HR doing it with the assistance of the line. Data collected from Finland in the first round of survey again showed a preference for delegating primary responsibility to the line supported by HR, although to a lesser extent than recruitment and selection (34% here compared to nearly 50%). Italian organisations prefer to delegate to HR to an even greater extent, as here 43% delegate pay and benefits to HR with the support of line management and 36% to HR only (Papalexandris and Jones, 2011; CRANET, 2005). In the case of this particular area of HR (pay and benefits) there seems to be a more

widespread involvement of HR, possibly due to the more ‘technical’ aspect of the activities involved. More recent research shows that this Italian trend is being maintained (Fontana and Caroli, 2009).

In training and development, the responsibility is shared by the line and HR, but it is common for most EU countries for HR to be responsible with the assistance of the line (except Sweden, Finland, and a couple of other countries, where most commonly the line takes care of training and development with the assistance of HR). It can be said, therefore, that training and development is seen as a shared responsibility for managers. Here –as above- the most striking difference is in the amount of delegation assigned to the line managers. In Finland, in approximately 25 % of organisations line managers are solely responsible for training and development, while in more than 40% of cases this is dealt with by line managers with the support of HR. In Italy these figures are ‘reversed’, as in 4% of organisations training and development is delegated to line managers alone, 32% of firms in Italy would rather delegate this area to HR alone (versus 7% in Finland) and 18% delegate to line managers with the support of HR, favouring HR with the support of line management -46% in Italy versus around 30% in Finland- (Papalexandris and Jones, 2011; CRANET, 2005). Finland shows very similar scores to Sweden and nearly identical scores to Norway.

Industrial Relations, compared to all the other HR functions above discussed, is mainly considered as the primary responsibility of HR alone. Having said that, in many countries (including the UK and the USA, as well as some Nordic Countries such as Sweden and Norway), industrial relations are considered as a shared responsibility under the guidance of HR, while in all other countries Industrial Relations are most commonly seen as the job of HR. Exceptions were some Eastern Countries such as

Serbia, Bulgaria and Russia, where it is most common to delegate responsibility for industrial relations to the line only (Papalexandris and Jones, 2011). Finland is one of the few Countries that has nearly an equal distribution in the allocation of responsibility for industrial relations as organisations indicated a preference for delegating this to line management with the support of HR or HR with the support of line management or to HR only nearly in equal split of approx. 30% each, while in just above 10% is allocated to line managers only. This is quite different from their general preference of greatly devolving HR policies and practices to line managers, with or without the support of HR, but it is still far from the main tendency of delegating it mainly to HR professionals. In Italy 72% of organisations have HR alone dealing with Industrial Relations. The Anglo-Saxon approach seems to rather prefer HR managers deal with Industrial Relations but with the support of line managers (just over 40% for both US and UK) or eventually they delegate it to HR only in just over 25% of cases (Papalexandris and Jones, 2011; CRANET, 2005).

In most countries, the primary responsibility for workforce expansion/reduction resides with the line, with the assistance from the HR department. Nevertheless, there are also countries where it is the HR department, with the assistance of the line, which has the primary responsibility (as it is the case in Italy) and countries where responsibility for workforce expansion/ reduction is more commonly delegated to the line alone.

Once again, marked differences between *modus operandi* in Italy and Finland can be found here, with the latter behaving as the majority of the surveyed organisations (including UK and the USA) and Italy still maintaining its preference for having HR in control, with the majority of the decisions regarding expansion and reduction being taken by HR with the support of the line. Finnish organisations seem to prefer that line

managers, supported by HR, deal with this in 46% of case while this percentage is exactly halved in Italy (Papalexandris and Jones, 2011; CRANET, 2005).

*We might expect that if Finnish MNCs in Italy prefer to assign primary responsibility for most/all HR decisions to line managers with the support of HR or to line managers only, an influence of country-of-origin might be present. On the other hand, if they prefer to assign primary responsibility to HR with the support of the line or to HR alone this might point to a 'localised' Italian approach. (This reflects Proposition 2b).*

## **4.2 Staffing Practices**

Choosing the right people for an organisation is often the key to success, attracting 'talent' and using the right selection techniques to match candidates to posts is one of the vital functions of any organisation. Staffing comprises of recruitment and selection (R&S), these two processes being closely linked as "both activities are directed towards obtaining employees with the requisite competencies and attitudes, and recruitment lay the ground for the selection process by providing the pool of applicants from whom the selectors may choose" (Foot and Hook, 2008:142).

Brewster et al. (2011) argue that there are four specific areas of country differences that affect R&S, these being: 1) the country's type of Labour Legislation; 2) the role played by the Government (is there a bias towards the employer or towards the employee? How influential are collective agreements?); 3) Recruitment Sources and; 4) Recruitment Methods. Cultural values also seem to predict some of the practices used and they sometimes account for cross-national variation. Ryan et al. (1999) in a study that spanned 20 countries found that the most influential cultural dimensions were uncertainty avoidance first and foremost, followed by power distance. Countries with a

higher UA show a preference for internal recruitment and generally make use of more test types, and use them more extensively (i.e. they would conduct more interviews and a greater audit of processes) and would most likely adopt contracts of employment that include job descriptions (Leat and El-Kot, 2007). Parnell and Hatem (1999) found that the Individualism versus Collectivism dimension also strongly affects R&S practices in three important areas: a) the importance of relationship over task; b) the desired/expected loyalty to the group and; c) the use of word of mouth (nepotism?).

In terms of the legislation affecting R&S a few points are worth noting. Pallini (2013) outlines some very important traits of the Italian legislation:

“Discrimination (direct and indirect) on grounds of sex, age, disability, sexual orientation, religious and secular belief, race and ethnic origin is forbidden in all stages of the R&S process - including the phrasing of job advertisements, job descriptions, selection criteria, shortlisting, conduct of interviews, questions and comments made in interviews, and the final selection decision...Employers can choose whether they want to advertise job vacancies directly or use a private recruitment agency or the public employment service...Part-time workers have the right to be informed about full-time vacancies arising within the company. People who are employed on a fixed-term contract for more than six months are entitled, for one year after the end of the contract, to priority in recruitment for open-ended positions that become available with the same employer... In job interviews, employers may ask only questions relating to the job, previous working and professional experience, education and personal aptitudes. Any form of interview, private investigation or medical exam to investigate health, pregnancy or other irrelevant aspects in order to evaluate the ability of the applicant to work is forbidden and subject to severe penalties.”

Finnish legislation on the same matters is very similar as both countries must comply with the EU anti-discrimination legislation and also because both countries exhibit a bias towards the protection of employees and tend to avoid discriminatory behaviours (Ellis and Watson, 2012).

According to the OECD (2012) country profiles Italy favours an internal market, especially in the public sector, while Finland doesn't show any marked preferences in the public sector. Both countries favour an internal labour market in the private sector. This preference to use internal candidates in Italy is particularly pronounced when it comes to filling managerial positions (CRANET 1999, 2004). This might be partly due

to the nature of business in Italy, which is heavily reliant on 'family-owned' organisations (both small and large organisations) and to the importance stressed by the Italian culture on relationship; both factors influencing the choice of managers, as it is not uncommon to see the management of an organisations being handed over from fathers to sons, despite the skills and ability that the chosen 'heir' might/might not have (Ponzo and Scoppa, 2009). A very important trend in Italian recruitment has been discussed by Ponzo and Scoppa (2009) and relates to the pivotal role played by informal networks via word-of-mouth. Using data from the Survey of Household Income and Wealth (SHIW, 2006) sponsored by the Bank of Italy, they reported on the most common methods used by workers when trying to access the labour market and indicated that 35.2% of unemployed start by enquiring with relatives and friends and about 25% of employees stated that they found a job through this informal network. Pellizzari (2004), using data from the European Community Household Panel survey (ECHP) for the period between 1994-99 also found out that informal networks are not only used in Italy, but are rather largely used in most European countries. Nevertheless, a noteworthy difference in percentage of use exists between Italy and Finland. In Italy, approximately 38% of employees admitted to have found a job through personal contacts (only preceded by Spain with 45% and Greece with 41%); while in Finland the figure stood at 13.3%. Scoppa (2009) added that even in the Italian public sector, where positions are filled via national competitions, surprisingly, most children of public sector employees will end up being hired by public sector organisations, despite their often poor academic results! The same author has argued that this 'nepotistic' trend has a detrimental effect on organisational performance, as once an employee has been hired; he/she will be subject to a centralised wage bargaining system, unrelated to productivity and will often use his/her prerogative to 'under-work' and 'under-perform'.

The latest CRANET report (2011) provides Finnish data for informal recruitment and brings the percentage of use of word of mouth to 39% in the case of managerial positions, rising up to 50% in the case of manual employees. As Italy did not take part in this last survey round, a like-with-like comparison would be difficult to make, but in the light of what has been discussed above, we might expect this figure to be even higher in Italian organisations.

What emerges from an accurate analysis and is confirmed by Dewettinck and Remue (2011) is that R&S preferences haven't changed much over the years. Comparing Finnish results from the 1999 CRANET survey, as discussed by Lindeberg et al. (2004), to the 2011 survey results, negligible differences not worth reporting can be observed. Data indicate that in Finland newspaper advertising is in top position as a Recruitment method, followed by word of mouth. Recruitment agencies are mainly used for managerial positions but not widely used for clerical and manual employees (8%). Selection methods in Finland favour one-to-one interviews, which are used by over 80% of organisations, especially for clerical and manual staff, second in importance are application forms with about 2/3 of organisations using them; while panel interviews are most common for managers and professionals (over 75%) and less used (about 60 and 40% respectively) for clerical and manual employees. References are also widely requested (between 60 and 80% for all categories of employees). Other methods such as assessment centres and graphology receive little importance, especially the latter. Psychometric testing is more used than in other European countries, but mainly for managers and professionals.

Unfortunately we do not have any recent data for Italy, but considering that the R&S scenario has not changed very much at all, especially for Western European countries, data presented by Papalexandris and Stavrou-Costea (2004) will be used. These findings have been validated by more recent research studies (Scoppa, 2009).

Looking at Recruitment first, standard recruitment methods are preferred (Hollinshead, 2010), with emphasis placed on word-of-mouth (as discussed above), with newspaper advertising and recruitment agencies not widely used.

Moving on to Selection, one-to-one interviews and application forms are the preferred methods. Panel interviews are rarely used and assessment centres are even less used (only by 12.8% of organisations). Graphology is again unpopular, while psychometric testing is occasionally used (as in Finland) mainly for managerial positions (Brewster et al, 2007). Italian organisations do not make large use of references.

Emerging differences between the two countries include the marked preference in Finland to use newspaper advertising (method that doesn't find support in Italy) and Italian preference for internal recruitment for managerial positions. Moreover Finland tends to make much more use of both references and panel interviews.

*We might expect that if Finnish MNCs in Italy prefer to use newspaper advertising, a Country-of-origin effect might be detected. On the other hand, if the preferred recruitment method for managerial position is internal recruitment, a 'localised' Italian approach might be adopted.*

*In the case of selection, if a large use of references and interview panels is made, a Country-of-origin effect might be detected. (This reflects Proposition 2c).*

#### **4.3 Flexibility and Work-life balance**

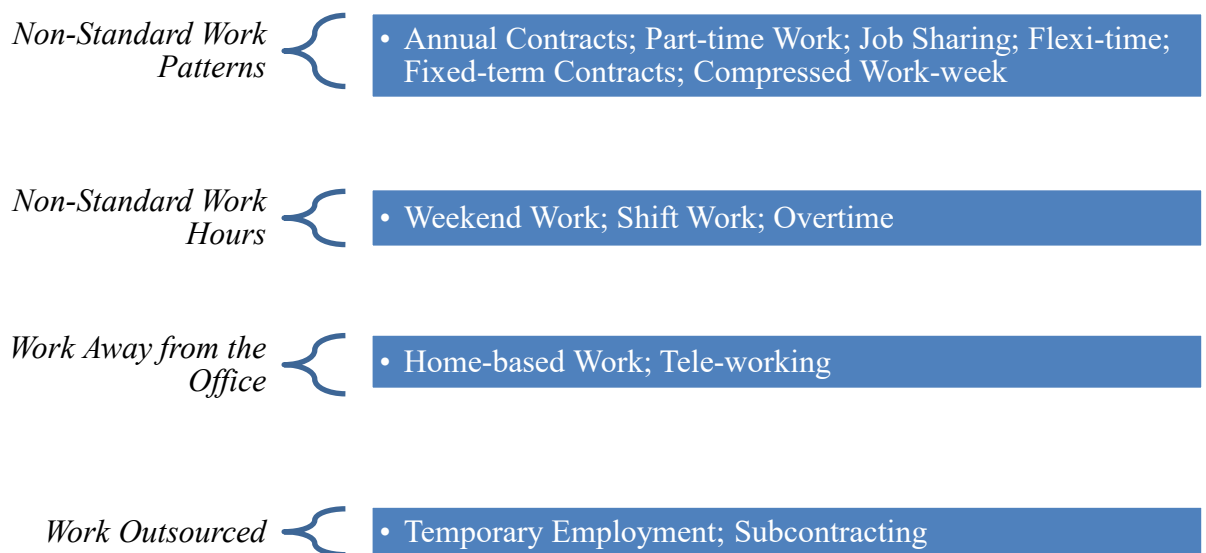
In its Green Paper on modernising the labour law of November 2006, the European Commission noted that: "Rapid technological progress as well as globalisation have fundamentally changed European labour Markets. Fixed-term contracts, part-time work, on call and zero-hour contracts, hiring through temporary employment agencies and



free-lance contract have become an established feature of the European Labour market, accounting for 25% of the workforce” (European Commission, 2006)

The CRANET researchers argue that flexible working arrangements (FWAs) can be either viewed as individual arrangements or as groups/bundles of arrangements. The list below indicates how the FWAs covered by the surveys can be divided into four different ‘bundles’.

**Figure 11 - Bundles of flexible working arrangements:**



Using the results of the 2005 survey, CRANET researchers used the FWAs ‘bundles’ as a starting point for analysing variations across countries. Looking at the four bundles of FWAs, they concluded that: “(a) non-standard work patterns have become embedded in most regions, though less so amongst Asian countries; (b) the two bundles of non-standard work hours and work away from the office are more common amongst countries in the English speaking, Northern and Central European regions; (c) work outsourced is most common amongst Mediterranean and Asian countries; and (d) working away from the office has yet to take hold in Mediterranean and Asian countries” (p.36).

One of the questions in the survey was directly asking respondents: “Please indicate the approximate proportion of those employed by your organisation who are on the following working arrangements”, the arrangements reflecting the FWAs listed above. The results published by the CRANET team are unfortunately grouped by regions, with the underlying assumptions that individual countries belonging to those regions will have similar preferences. Hence in the case of Finland and Italy, data related to the ‘Northern European’ and to the ‘Mediterranean’ regional grouping respectively will be used.

**Table 15 - Proportion of companies using FWAs in Northern Europe and in the Mediterranean Countries.**

FWAs by Proportions used	Proportion of Companies by region	
	Northern Europe	Mediterranean
<b>Shift Work</b>		
Not used	37	24
0-5%	14	14
6-10%	09	10
11-20%	09	09
21-50%	16	13
>50%	15	30
<b>Annual Hours Contract</b>		
Not used	63	77
0-5%	12	06
6-10%	04	03
11-20%	03	01
21-50%	03	03
>50%	15	10
<b>Flexitime</b>		
Not used	22	67
0-5%	16	13
6-10%	11	04
11-20%	11	04
21-50%	12	04
>50%	28	08
<b>Teleworking</b>		
Not used	58	90
0-5%	32	07
6-10%	05	01
11-20%	02	01
21-50%	02	0
>50%	01	01

Above findings show that Finland would tend not to use shift-work extensively, as approximately 37% of companies do not make use of it at all, while only 15% of organisations will use it for more than 50% of their employees. This figure is quite different in Italy, as while 24% of organisations would not use shift work, 30% of organisations will have 50% or more of their employees on working shifts.

Annual hour contract is not a favoured method for either group of Countries.

Flexi-time is not used by approximately 22% of Finnish organisations but 28% of organisations would instead use it for 50% or more of their workforce. In Italy flexi-time is less commonly used, with 67% of organisations not using it at all and only 8% of companies using it for 50% or more of their employees.

Teleworking is not very popular at all in Italy, with 90% of companies not making use of it and very little percentages of use overall; while it is more popular (although not excessively popular either) in Finland, since 32% of organisations have it in place for approximately 0 to 5% of their employees, while 58% of organisations do not use it.

Drawing from general comments made by the CRANET team, work away from the office (i.e. teleworking) is more popular in Northern regions and not very popular in the Mediterranean regions; while shift-work and work outsourced are more common in Mediterranean countries. Brewster et al. (2011) suggest that the incidence of flexi-time is heavy in Nordic countries, which might be due to the ‘feminisation’ of the labour force, as the figure for female participation is quite high in Nordic countries. The same authors also argue that the use of flexi-time might also be attributable to the fact that Trade Unions and collective bargaining are quite strong in the North of Europe and that “employees often expect, and employers often grant, the daily personal flexibility which flexi-time gives” (p.152).

Brewster and Tregaski (2002) postulate that national culture of the HQs doesn’t actually influence patterns of flexibility as much as country of operation’s institutional factors do. They found that factors that have a stronger impact on flexibility policies and practices would rather be: labour law and employment protection legislation; the role of the Trade Unions; the type of training provisions offered to the employees and the

economy (i.e. the importance of the agricultural sector and the tourism sector in Italy might call for more flexible working than its cultural preferences or even institutional regime). Robinson (1999) confirms the above, by stating that in the case of temporary work, countries which are more heavily regulated in terms of employment contracts often display high levels of flexible working arrangements. Nevertheless, it can also be argued that, to some extent, cultural preferences also exert some influence; as the practices used in Finland - besides being a result of the institutional and legal framework - could also be said to be representative of their 'femininity' dimension (in Hofstede's terms) that strongly favours quality of life and work-life balance. Once again, cultural and institutional factors appear to be inter-dependent, as the quality of working life agenda (a cultural value) has been heavily pursued by Nordic TUs and has sought to reduce working time and allow more flexibility to employees (Brewster et al., 2011).

To shed more light into the use of HR policies and practices related to flexibility we might also look at some data collected by the 2011 CRANET survey, unfortunately no data are available for Italy (that did not take part), but findings proceeding from other sources will allow for comparability (although, unfortunately, it is not going to be a like with like comparison) and will however help us to draw some important conclusions that will inform the formulation of the expectations/propositions.

Table 16 lists the use of FWAs in Finland, in Europe –average- and in the Anglo-American countries.

**Table 16 - Usage rate of flexible working arrangements across surveyed countries (CRANET report, 2011).**

Country	Week end work	Shift Work	Over - Time	Annual Hours Contract s	Part- time Work	Job Sharin g	Flexi Time	Temp Casual work	Fixed Term Contract s	Hom e Base d Work	Tele working
Finland	79%	80%	97%	40%	99%	38%	92%	70%	97%	36%	39%
EU average	67%	65%	80%	32%	82%	27%	66%	64%	77%	22%	32%
UK	55%	58%	76%	32%	90%	49%	55%	72%	77%	38%	29%
USA	69%	59%	94%	22%	88%	33%	77%	74%	42%	26%	64%

If we compare Finnish practices to the European average, we can easily confirm what already alleged earlier, that it to say that Finland makes a much greater use of flexible practices than most other European countries, with 99% of organisations making use of part-time work and 92% making use of flexi-time schemes. Although some other practices are not greatly used (e.g. teleworking or working from home), in Finland they are still more used than in other countries. Atypical contracts, such as fixed-term contract and casual work are also more widely used, even more used than in the LMEs of UK and USA. Although we might have expected these results for part-time and flexi-time schemes (as discussed above), the last finding may look surprising: while in most countries the use of fixed-term and casual contracts has remained generally limited, Finland, a CME with employee protection schemes and with a government who has at heart the well-being of the workforce, is a forerunner. Brewster et al. (2011) explain the fact that these contracts are not greatly used in Anglo-American countries with the argument that ‘the fire at will’ reality means that there is little or no advantages in using them. And the fact that Finland uses them extensively is explained with the argument that employment protection for non-permanent employees is very extensive and employees would benefit from state support in case things went wrong; indicating a shift of responsibility and accountability from organisation to government.

As highlighted in the 2011 CRANET report itself, the relative importance of each of the methods listed has not been subject to great variation since the last survey.

More data to allow a comparison between Finland and Italy can be drawn from the Eurostat, EU labour force survey (2004); here it appears that in Finland 53.7 % of male employees aged 15 and above have access to flexible working time schedules, against 47% of female employees aged 15 and above. The figure in Italy is 34.2% for male and 29.7 for female employees. The percentage of employees aged 15 and above working from home was 5.3% and 6.9% in Finland for male and female employee respectively. This can be contrasted to a percentage in Italy of 0.8% and 1.3% for male and female employees respectively.

The same survey gives z-scores to all EU countries as indicators of flexibility, it gave a kurtosis (where working time flexibility is charted using the shape of the working time distribution) z-score of 1.54 to Finland and only 0.39 to Italy; it also gave a 'Homework' z-score of 1.85 to Finland and a -0.63 to Italy; a 'Flexitime' z-score of 1.51 to Finland and 0.34 to Italy. The average z-score for flexibility was calculated at 1.33 for Finland and 0.14 for Italy. The differences emerge quite sharply.

The above data are also confirmed by recent OECD (2013) findings from where it emerges that in Italy less than 50% of companies with 10 or more employees provide flexi-time options to their employees, and 60% of employees have no control over their working times at all.

More data for Italy proceed from an ISFOL-PLUS report (ISFOL being the Italian Institute for professional training and the PLUS survey being a Participation Labour Unemployment Survey) undertaken in 2010. The survey provides some figures for: the percentage of employees doing overtime (45%); the percentage of employees in part-time employment (15%); in casual work (1.8%) and with fixed-term contracts (5.5%).

And again it confirms what already stated, atypical and flexible contracts are not the norm in Italian organisations, besides the many attempts of the Berlusconi right-wing coalition to bring in more flexibility for employees and mainly for employers (a 'Libro Bianco' was presented in 2001, Baccaro e Pulignano, 2011).

To sum up, although data for Finland and Italy are at times proceeding from different sources (other than the CRANET reports), we have sufficient evidence to formulate the expectation/proposition below.

*We might expect that if a large percentage of Finnish MNCs in Italy make use of teleworking for 0-5% of their employees and make use of flexi-time for a large percentage (+/-50%) of their employees, an influence of country-of-origin might be present. On the other hand, if they make a large use of shift-work for 50% or more of their employees, this might point to a 'localised' Italian approach. (This reflects Proposition 2e).*

*On the whole, if Finnish organisations in Italy offer more flexibility to employees than local organisation, a country-of-origin effect might be detectible. (Also in proposition 2e).*

*A country-of-origin effect will also be present if Finnish organisations in Italy made large use of fixed-term and part-time contracts. (Also in proposition 2e).*

#### **4.4 Training and Development (T&D)**

T&D policies and practices are shaped by a range of factors. Nikandrou et al. (2008) formulated a model of forces that have an impact on the T&D choices of a given



organisation, here we can see that at the national level, major pressures would be exercised by: variety of capitalism; vocational educational training (VET) structures; culture and percentage of GDP spent on education.

Findings from ‘culturalist’ studies have provided evidence that in individualistic countries, training is intended to improve individual or organisational performance, while in collectivistic countries the emphasis of the training intervention would be placed upon increasing loyalty to the organisation (Wong et al, 2001). Both Finland and Italy are quite individualistic, hence differences observed might not be directly conducive to differences in their individualism scores. Differences in how to establish training needs have been correlated to power distance scores, as Wilkins (2001), after conducting a study in the UAE, argues that in countries with low PD, more discussion takes place. With PD scores for Italy being higher than the scores for Finland we might expect to find less employee consultation and participation in Italy.

In the case of T&D, we can also draw from the institutional dissimilarity of our chosen countries. The role of institutions (and especially the role of the State) is in fact key in determining training strategies. Georger et al. (2009) followed Amable’s approach (2003) and summarised the inter-relationship between Hall and Soskice’s (2001) variety of capitalism and T&D as follows (only Social democratic co-ordinated market economies (e.g. Finland) versus Southern European/Mediterranean economies (e.g. Italy) will be analysed):

In Social democratic co-ordinated market economies – Sweden and Finland – vocational training is not as effective as in Rhineland economies (France, Germany, Austria and Belgium) as industry links are weaker and education assumes an increased theoretical focus. Firms generally provide more industry-relevant skills and there is

more emphasis and investment on training within firms. Due to the gaps in vocational training systems, individuals are likely to take more responsibility for their own skill development.

On the other hand, in Mediterranean economies (Italy, Spain, Portugal and Greece) there are some identified weaknesses in both the higher education and the vocational systems that account for the mix of education and training provision. The State is not too effective in promoting skills, which forces the organisation to recur to external providers. Unfortunately, skill gaps can be found at both senior and junior levels. The educational system that had responded to the needs of a low-technology industry requiring an unqualified workforce now finds itself lagging behind.

Training provision is often measured by the amount firms spend on T&D activities. Organisations' expenditures on training and development are located in a band between 2% and 4% of annual payroll costs in most countries, the expenditure stands at 3.5% in Italy, just above the European average of 3.1%, while Finnish expenditure is just below that average with 2.9%. Expenditure in the UK and in the USA was set at 3.4% and 4.2% respectively. The difference between Finland and Italy is not substantial and would not justify the formulation of an expectation/proposition.

Another way of assessing T&D provision is to look at the number of training days per year offered to the following four categories of employees: managers; professional/technical; clerical and manual. In terms of this differentiation, in most countries managers and technical/professional employees get more training days than manual or clerical/administrative staff.

**Table 17 - Training days/year/category of employee (CRANET reports, 2005, 2011).**

	<b>Management</b>	<b>Professional/technical</b>	<b>Clerical</b>	<b>Manual</b>
Finland 2005	6.93	6.37	4.55	3.23
Finland 2009	6.76	6.51	5.20	4.03
Italy	5.23	6.39	4.86	3.42

Finland and Italy are not very dissimilar in their training expenditure, but for the number of training days managers are offered, which are higher in Finland than in Italy. While Finland (like Denmark) focuses on managers, Italians spend more on training and developing professional/technical staff. This figure can be explained by institutional factors, in this case by the inadequacy of the Italian educational and professional training systems (Boldizzoni, 1990; Ballarino e Cecchi, 2013) that fail to prepare professionals in particular for the challenges of their jobs.

*We might expect that if Finnish MNCs in Italy spend more on T&D for managers than for any other category of employees, a country-of-origin effect might be present (as per Proposition 2h).*

And yet another way of comparing T&D practices is to look at what/who define the organisational training needs. In the CRANET questionnaire, a range of options are given to respondents to choose from to describe how training needs are established. Options include: performance review; analysis of business plans as well as whether the training came from a specific request advanced by line managers or by the individual employees. Respondents are asked to rate the frequency of each practice in a Likert scale that ranges from ‘always’ to ‘never’, including ‘often’ and ‘sometimes’.

In most Countries individuals and line managers are not very influential (HR takes the lead) and this is the case of Italy. This is not so in Scandinavian countries, in Finland the

individual and the line managers also play a vital role; this reflecting the more ‘participative’ management style of the more egalitarian Nordic countries..

*We might expect that if individuals’ and line managers’ views are taken into account to establish training needs in Finnish MNCs in Italy a country-of-origin effect might be present. (As per proposition 2d).*

#### **4.5 Appraisal**

Appraisal systems are subject to significant variation across countries. On the one hand, in a considerable number of countries the large majority of organisations use appraisal systems across all employee categories. In a few countries, including the USA, the UK and Italy, more than 85% of organisations use appraisal systems (mean values over all employee categories). Per contra, there are also a few countries, including three Northern states: Finland, Norway and Sweden, where less than 55% of organizations make use of appraisal systems (CRANET, 2011).

More precisely, in Italy nearly 90% of organisations make use of appraisal systems across all categories of employees, against a mere 55% in Finland (EU average in the same period was about 75%). It is easily deductible that Italy is well above this average and Finland well below. UK and USA also are well above this average, the UK with a similar score to Italy and the US hitting nearly 100%!

Besides the percentage of use of appraisal systems, another characteristic that seems to vary considerably across countries has to do with WHO is consulted, whose opinions are sought during the process. Generally, not all possible parties are consulted in the appraisal process. In most (nearly all) countries, supervisors and the employees

themselves have the major voice. Nevertheless, organisations in Italy, Germany and Spain elicit the input of the supervisor's superior more than the input of the employee. In a few countries, the involvement of more people is deemed to be beneficial, although only in Sweden, Finland, the U.S. and Canada do more than 20% of organisations use inputs from subordinates, peers and customers, again indicating a more 'egalitarian' management approach (CRANET, 2005).

*We might expect that if Finnish MNCs in Italy make less use of appraisal than the European average, a country-of-origin effect might be present. On the other hand, if their use of appraisal is much higher than the European average, this might point to either a 'localised' Italian approach or to a 'convergence towards Anglo-Saxon models of best practice'.*

*We might also expect that if Finnish MNCs in Italy ask for input from supervisors and employees (and eventually subordinates, peers and customers) as part of their appraisal process, a country-of-origin effect might be present. On the other hand, if they rather limit their request of input to the supervisors (and mainly to the next-level supervisors), this might point to a 'localised' Italian approach. (As per proposition 2d).*

#### **4.6 Pay and Benefits**

Erik Puttsma and Paul Ligthart (2011) give an account of what are the topics covered in the questionnaire and discuss some of the most salient findings. I will use their 'headings' to formulate my expectations/propositions. One of the first topics of analysis is the difference between base pay (how and where is base pay established) and variable pay, the latter assuming greater importance nowadays. *Variable pay* is seen in the form of performance related pay, which can either reward individuals or groups. The second

topic revolves around the area of *performance related HRM* and looks at the use of a series of performance related incentives and how these are used (or not used) for different categories of employees. It is also important to see how the offerings of *benefits which are in excess of statutory requirements* vary across countries.

The survey results discussed in the executive report make a distinction between private and public owned organisations. As the sample of the present research study is constituted by subsidiaries of privately owned MNCs, only findings that relate to the private sector will be taken into account.

Pay was identified by Rosenzweig and Nohria (1994) as one of the most ‘localised’ aspects of HRM, finding evidence of a country-of-origin effect here might demonstrate that the effect is much more powerful than many theorists think!

Culturalist and institutional literature has recognised the need for pay and compensation system to be acceptable/accepted in the host country and it has been hypothesised that variable pay will be more widely used in countries with lower PD scores and in more ‘voluntary’ regimes, where management has more discretion and less state interference from institutional constraints.

#### **4.6.1 How and where is pay determined?**

The CRANET questionnaire differentiates between national; regional; company or site bargaining and its findings point to the fact that national and industry wide bargaining are the most common choices amongst the majority of western European countries (except the new EU member states, previously communist countries). Nevertheless, CRANET researchers have observed a trend towards ‘hybridisation’, where more levels of pay determination co-exist.

Some country specific trends, once again, have emerged. In relation to our Countries, the norm in the Scandinavian region (and hence Finland) is still national bargaining for manual and operational staff. In this, it doesn't differ much from the practice in Italy. The proportion of organisations covered by national bargaining for manual staff in Italy and Finland is as follows (figure in bracket is the earlier survey result for Finland, which has not changed greatly in the second survey):

**Table 18 - Bargaining levels in Finland versus Italy (Data for Finland and Italy come from the CRANET survey, 2005 and 2011).**

Countries	Individual bargaining	Company/site bargaining	National bargaining
Finland	16 % (12%)	33% (32%)	75% (79%)
Italy	10%	44%	74%

There isn't such a great difference as to justify the formulation of expectations/propositions for this particular area of HRM.

#### **4.6.2 Variable pay**

This is an area where a new trend has been observed, as organisations have moved in recent years towards more use of variable pay schemes (Mayrhofer et al., 2011). Finland, in the time between the two surveys, has greatly increased its use of profit sharing and employee share options. Unfortunately we do not have the most recent figures for Italy in the CRANET survey (other sources will be used, see below), but even factoring in an increase of some of the variable pay practices from the 2005 CRANET survey, it would be quite hard to narrow the gap that exists for certain schemes is particular. Finland is in fact quite advanced in its use of profit sharing (due to specific governmental provisions and tax concessions) and the percentage of companies that use this scheme is 80%, in Italy the figure was only 2% in 2005. Profit

sharing is not too widely used in Anglo-Saxon countries either, in the UK less than 20% of organisations has said to use it in the latest survey.

The European Working Condition Survey (EWCS, 2005) puts a figure of 24% for the incidence of profit-sharing in Finland, seen as a front-runner in Europe. Results from the European Company Survey, a survey conducted in 2009 and including more than 27.000 HR managers across Europe also found that 23% of private-sector organisations with more than 10 employees in Finland offer their employees a profit-sharing scheme (the European average is set by the same survey at 14%); this figure varies with the size of the organisations and the number of employees, reaching a proportion of 37% in companies which have between 50 and 200 employees. Share ownership schemes are not that popular: according to the EWCS (2005) only 2% of firms use it and according to the European Company Survey (2009) this figure is as high (or as low!) as 5%. It can be argued that profit-sharing schemes are quite popular in Finland as employers receive state support and tax incentives with the aim of generating long-term wealth for the workforce (Welz and Fernandez Macias, 2007; Fulton, 2013).

According to Fulton (2013), the current level of employee financial participation in Italy is amongst the lowest in Europe. Biagi and Tiraboschi (2001) justify this by explaining that financial participation is associated by Italians to the process of privatisation of the 1990s and the great financial crisis, hence it was resisted by TUs and not facilitated by company legislation. Only since 1997, the government and the social partners have agreed to favour financial participation. Law no. 314/1997, art. 3.1 set up preferential treatments for firms that issued new bonds in favour of their employees. But it was only in 2007 that the government, TUs and employers' representatives found themselves in agreement to improve the attractiveness of financial participation schemes through new tax incentives, paving the way for new legislation in this area (Lowitzch et al., 2009).



This means that up to a few years ago, Italy lacked a broader set of legislative norms to regulate/encourage employee financial participation. Hence why, according to data proceeding from the European Company Survey, only 3% of private-sector organisations with 10 or more employees in Italy offer profit-sharing schemes. This leaves Italy at the bottom of the European list. Share ownership is not popular either, with a figure of 4%, according to the same survey.

Hence it seems safe to conclude that:

*We might expect that if Finnish MNCs in Italy make large use of profit sharing, a country-of-origin effect might be present' (as per Proposition 2d).*

#### **4.6.3 Benefits which are in excess of statutory requirements**

There are no data in the 2005 CRANET survey report concerning this particular area of HRM. The 2011 survey offers data for Finland and identifies a few strong trends: maternal, paternal and parental leave in excess of statutory requirements are offered by 40%, 33% and 45% of organisations. Around 45% of Finnish companies also offer educational breaks and private healthcare. These scores are around the average scores for the rest of the countries, but here it is important to consider that, as stated earlier, the statutory requirements in Finland for maternity/paternity entitlements are already amongst the highest in Europe, hence there is no real need to supplement these even more. Unfortunately, it has proved very difficult to find data about Italian preferences in this area. To give an example, no data on company day-care centres can be found, although studies have demonstrated that they are a very recent phenomenon (following a National Plan for Nurseries agreed in 2001) and still confined to few big enterprises ([www.alfemminile.com](http://www.alfemminile.com)). Very little data is available in relation to maternity or parental leave in excess of statutory requirements; the few sources available situate Italy in line

with the European average. Pension schemes have only just been ‘restructured’, as the National pension plan has recently been amended, which will result in lower pensions. Up until now pensions have been very generous (typical trait of CMEs) and employees had not felt the need to top it up with complementary schemes.

Probably due to lack of data, but also due to the two Countries’ bias towards the employee in the employment relationship (Whitley, 1999), no substantial differences between Italy and Finland have been reported; hence no propositions have been formulated here.

#### **4.7 Employee Relations and Communication**

Employee Relations is not the most ‘popular’ area of HRM, with Anglo-Saxon countries in particular trying to downplay its role in favour of a more strategic involvement of the HRM function. But this is not the case in all countries. Nordic states above all others recognise that governance by social actors, collective voice and joint regulation of the employment relationship may actually legitimate and facilitate the relationship between employers and employees (Brewster et al., 2011: 96).

Trade Unions (TUs) are at the heart of employee relations and their role is to militate for the interests of all employees. Unions have very distinctive traits that vary across borders. In Italy there are 3 main TU confederations characterised by strong political affiliation: CGIL, the largest TU, is affiliated to the Communist Party; CISL was traditionally affiliated to the Christian Democratic Party and UIL to the Socialist Party. The Italian political vicissitudes of recent years have seen the disappearance of the last two parties from the political scene and have generated a non-negligible amount of chaos as well as a myriad of new political parties (and a few new TUs, amongst which UGL, close to Berlusconi’s party, ‘Il Popolo della Libertà’). Italian TUs can be seen to

represent the interests of different categories of employees on an industry basis: manual employees tend to be represented by CGIL while public sector and service sector employees would be represented by the two others. Nevertheless, the political orientation of the unions has not been set aside, with CGIL still incorporating the militant and more revolutionary values of the communist party. A typical trait of Italian TUs is their inability to co-operate. Besides the good propositions (and an original agreement set out in the 1970s) there has always been an alternation of co-operation and hostility, with the latter generally dominating (Baccaro and Pulignano, 2011). Italian TUs often behave as bickering special interest groups, representing small groups of employees, only trying to protect their individual rather than the collective interests. Very often national agreements have been reached without the consensus of CGIL and have just been signed by the other TUs, indicating a constant climate of disagreement and dispute (Fulton, 2013).

There are also three TU confederations in Finland; SAK (the largest), which predominantly organises manual workers; STKK, which organises non-manual workers and AKAVA, which organises graduate employees. All three confederations have a high number of affiliated unions, organised on an industry basis, which have substantial negotiation autonomy. Unions have no formal links to political parties and work closely together in agreement (Fulton, 2013); representing a sharp contrast compared to the Italian situation.

#### **4.7.1 Unionisation rate**

Scandinavian countries and Finland in particular have got the highest Unionisation rate in Europe with around 60% of organisations boasting a unionisation rate of between 76 and 100%, and things haven't changed in the last years (Buciuniene and Kazlauskaitė,

2011). Scheuer (2011) has reported an overall drop in unionisation rate all over the western world in recent years. Exception to the rule is Finland, where membership has been keeping healthy. This might be due to the fact that Scandinavian countries use a ‘tripartite’ model whereby most decisions are reached between employer associations, unions and the Government. In Italy unionisation rates are much lower, although the literature argues that there are more trade unionist in Italy than in any other European country, overall density stands at around 35%, as more than half the membership is made up by retired employees, no longer in employment (eurofund.com). The role of TUs is often challenged by “rank and file” committees, such as the COBAS, that try to engage in negotiations side-stepping the unions (Baccaro and Pulignano, 2011).

In most European country it is compulsory, by law, to recognise TUs for collective bargaining and the collective agreements reached after negotiations will apply to all employees, disregarding union membership. This is the case in both Italy and Finland.

*We might expect that if union density in Finnish companies operating in Italy is very high (above 50%) a country-of-origin effect will be present; while if only about one third of employees or less are members of a TU, a localised approach might have been adopted. If on the other hand, Finnish companies in Italy have a lower unionisation rate than both Finland and Italy, we might speculate that a move towards an Anglo-Saxon model of best practices is being observed (as per Proposition 2g).*

#### **4.7.2 Extent to which TUs influence organisations**

In Finland some 65% of organisations declared that they were influenced by TUs to ‘some extent’, while 30% stated that they felt influenced to a ‘great extent’ (Buciuniene and Kazlauskaitė, 2011). This might be explained by the fact that “in northern Europe there is often a formal hierarchy of collective bargaining or joint regulation, with

collective agreements at multi-sector and/or sectoral level explicitly defining the role of collective bargaining or joint regulation at the lower, company or enterprise, level” and in Finland “such tiered bargaining is most intricately structured, and transparently involves unions at all level” (Brewster et al., 2011:100). Collective bargaining (CB) in Finland generally took place at three levels: the national, the industry and the company level but since 2007, EK (the employers’ association) has battled for industry level agreement as they allow for more flexibility and can take into account the specificity and needs of different industries. Due to the recent economic crisis, some pay negotiations have since 2011 returned to agree national guidelines and partly restore a centralised (national) bargaining system; these negotiations take place between EK and the national union confederation (Fulton, 2013).

TUs in Finland are also in charge of providing employee representation in the workplace; hence it is generally a TU member who takes on information and consultation rights that, in other countries, such as Germany are exercised by members of Works Councils. These union representatives have the right to take part to “co-operation negotiations” when organisations have a workforce of more than 20 employees (Fulton, 2013).

In Italy, CB takes place mainly at two levels: the industry and the company level; although national levels agreements are also used, especially to cascade and implement EU-level initiatives (Fulton, 2013). Treu and Cella (2009), describing the Italian CB situation, argue that Confindustria (the Italian employers’ association) has –as in Finland- battled for decentralising negotiations even more and asked for more company-level bargaining. As usual, TU confederations find themselves in disagreement and a common position is yet to be taken. Hence, as it stands (and like in Finland) the majority of negotiations are carried out at industry level. There are no specific data on

how influential TUs are in Italy, but the coverage of CB gives a pretty good idea of the role they play and how much they would be involved in negotiations. Although there are no official statistics on this data, EIRO (drawing from the ICTWSS Database) has provided a figure of 80% in 2009; indicating that TUs must be quite active and influential.

As far as workplace representation is concerned, employees in Italy as represented by RSUs (Rappresentanza Sindacale Unitaria), a unified committee for all the TUs in the workplace; hence essentially they remain union committees. An RSU can be set up once there are more than 15 employees in the organisation (Fulton, 2013).

The aim of the above section is to give a general overview of the CB scenario in our two Countries, but the comparison will not be used to inform any expectations/propositions, as this is one of the institutional factors that leave little or no room for manoeuvre to MNCs that, in this case, have to follow the rules of the game of the host country. We can only expect that:

*If Finnish Companies operating in Italy (and with more than 15 employees) have no workplace councils and less than 25% or no employees are members of a TU, this might indicate a move away from both Finnish and Italian models of employee relations and maybe point towards an “Anglo-Saxonisation” of employee relations.*

#### **4.7.3 Methods for communicating important issues to employees and to managers**

Mayrhofer et al. (2000) discussed at length the many advantages of having good communication systems in place in all organisations. The value of communication began to be acknowledged ever since companies and professionals in the Western world started to investigate the reasons behind the success of Japanese firms (Leat, 2007) and

identified some primary causes of their high performance, such as the knowledge of employees about company strategy and goals and their involvement and information sharing in quality circles. Since this discovery, organisations all over the world have been trying to implement better communication schemes and a lot more emphasis has been placed on this issue.

Researchers in the CRANET survey distinguish between direct downward communication and direct upward communication. The first is defined by Brewster et al. (2011) as the flow of information that goes from management to employees. An analysis of CRANET data has revealed that some common patterns across European nations exist, although some differences can also be observed. Common practices include the use of direct verbal communication as a preferred communication channel, followed by direct written communications to employees (even more since the advent of e-channels, such as emails). The use of team briefings is still limited, but on the rise. A common trend is that most organisations reported to have increased the use of all channels of communication in recent years.

Another question posed by the CRANET questionnaire (2011) aims to understand what is the preferred subject of these communications and who tend to be the preferred 'recipients' (managers/professional and technical employees/clerical/manual workers). Three main areas have been more closely looked at: organisational strategy; financial performance and work organisation; with most organisations sharing information about the first two areas with their employees. Brewster et al. (2011) state some 90% of organisations across the board brief their managers about both strategy and organisational financial situation; but if we move down the organisational hierarchy, we will see that a 'slope' emerges as other categories of employees are gradually less likely

to be informed on the same matters. What changes across countries is the steepness of the slope. CRANET data (2001) indicate that countries in Northern Europe communicate a lot more with their clerical and manual employees than all other countries involved in the study.

Unfortunately, we do not have any CRANET data for Italy, but drawing from other sources, we can conclude that the Italian attitude to communication is in line with (if not below) the European average. Torrano (2010) talks about internal communication in Italian organisations and affirms that it is finally been recognised as a source of strategic advantage, but only very recently and much more still needs to be done to communicate more efficiently.

Direct upward communication is defined by Brewster et al. (2011:122) as “the feeding of information from the employees to the management”. The same authors also identify a clear trend in the rise of upward communication (although not as much as in downward communication). In most organisations (and countries) employees prefer to communicate with their immediate superior, while in the Northern countries there is a greater tendency (much higher than the European average) to communicate via regular workforce meetings. Unfortunately not enough data is available here to justify the formulation of propositions/expectations in this area.

*We might hence expect that if Finnish organisations in Italy choose to inform all categories of employees of both organisational strategy and organisational performance and brief clerical and manual staff in more than 50% of cases, a country-of-origin effect will be present. If the ‘communication slope’ is rather steep and*



*clerical/manual staff are generally not so well informed, a 'localisation' effect might be prevailing (as per Proposition 2f).*

#### **4.8 Chapter Summary**

In the above sections some important distinctions and comparisons have been made between HRM policies and practices in Finland and Italy. Drawing from the CRANET survey report; from data published by the European Industrial Relations Observatory (EIRO and Eurofund); from OECD data; from a number of national and international statistical datasets (e.g. ISFOL and EWCS ); as well as data and discussions emerged in academic publications; HRM differences in the two countries have been highlighted and have informed the formulation of a number of expectations/propositions. These will be explored in chapter five, through the analysis of the survey results of Finnish companies in Italy.

**The differences encountered, as well as the expectations/propositions, are consistent and have been related to the propositions advanced in chapter two, as strong links have been identified between HRM and cultural/institutional preferences.**

It is nevertheless important to state that, in a few cases, either not enough data have been found or the data found in the literature points to a similarity between Finnish and Italian HR policies and practices and propositions have not been formulated.

## CHAPTER 5 –ANALYSIS OF PRIMARY DATA

In this chapter data proceeding from the questionnaire and then data emerged from interviews and company documentation will be analysed in turn. One third of the surveyed organisations agreed to take part in the interview phase and 4 mini-case studies were compiled using both interviews and company documentation.

Survey data will be analysed in 5.1, while a discussion of the mini-case studies data will be provided in 5.2.

### 5.1 Survey Data

The survey data presented proceeds from 12 Finnish MNCs operating in Italy. It represents 71% of the population as, after a careful screening, only 17 out of the 27 organisations in the original list could be included in the survey; the reasons being: a) one MNC had divested at the end of 2012; b) two Finnish MNCs operating in the same sector have recently merged; c) four organisations declared to be ‘dealers only’ and d) four MNCs were ‘born’ in Countries other than Finland (three in the US and one in Denmark) and had only been recently acquired by the Finns; hence the assumption that the practices used could be a reflection of their country-of-*origin* would have not stood. Data were collected in a slightly different way than originally planned, as attempt to talk the HR managers through the questionnaire over the telephone was not welcomed by some companies. In less than half the cases (5) the researcher was allowed to do that and in most cases after calling a few times. In the remainder of cases, respondents asked to be sent the electronic link to the questionnaire and they filled it out online. The researcher indicated her availability in case any clarifications were needed, but this did not happen. The rest of the population that did not take part in the survey (5

organisations) were chased up for a maximum of five times, with two email reminders and follow up telephone calls. In two cases the HR managers declared themselves too busy and not interested in taking part to any type of research study and in the other three cases there was no response.

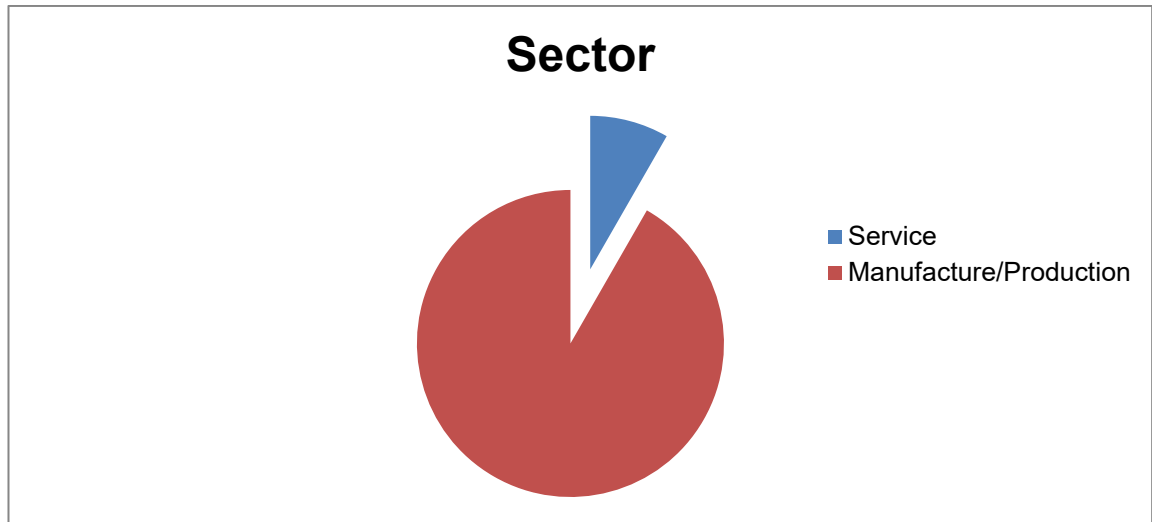
A demographic of the respondents who answered the questionnaire is provided in the figure below:

**Figure 12 - Demographic of survey respondents**

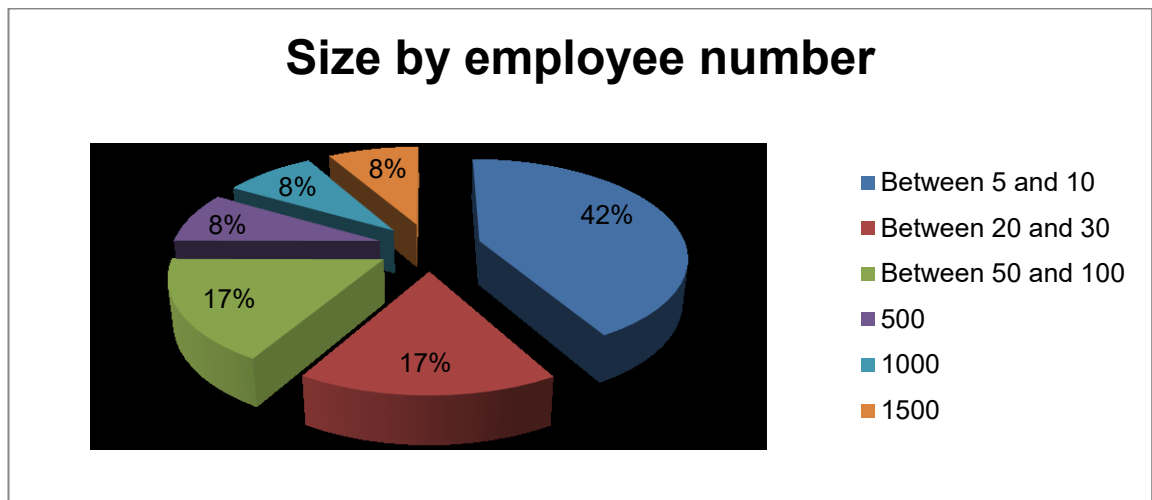
Company (number)	Role of Respondent	Educational Level	Gender	Age-range	Nationality
1)	HR specialist	BA Psychology	Female	25-35	Italian
2)	HR manager	PhD	Male	35-45	Italian
3)	MD	BA	Male	45-60	Italian
4)	Director of Marketing and HR	BA Statistics	Male	35-45	Italian
5)	Director of Finance and HR	BA	Male	45-60	German
6)	HR Director	BA Politics	Male	35-45	Italian
7)	HR manager	BA	Female	45-60	Italian
8)	HR manager	BA	Male	45-60	Italian
9)	MD	BA	Female	35-45	Italian
10)	MD	BA	Female	35-45	Italian
11)	MD	MBA	Male	45-60	Italian
12)	MD	BA	Male	45-60	Italian

The organisations that answered the questionnaire operate mostly in the manufacturing sector, with only one organisation operating in the service sector (see figure 13); they are also very different in terms of size (see figure 14).

**Figure 13 - Operating Sector of the sample organisations**



**Figure 14 - Size (by employee number) of the sample organisations**



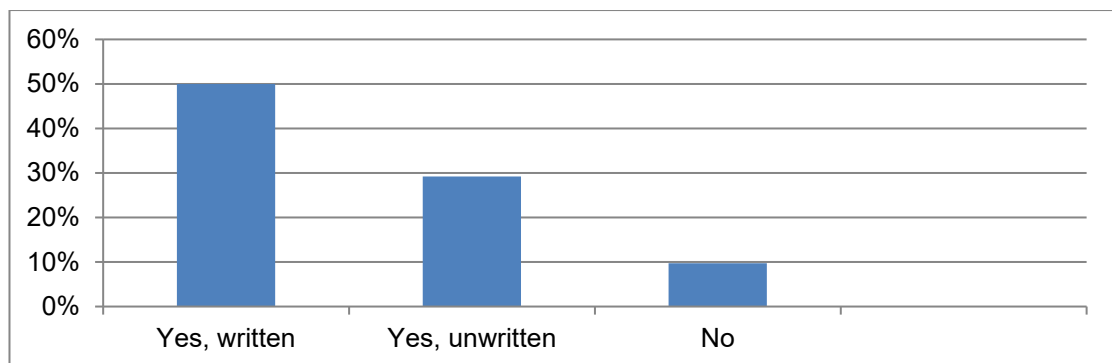
Looking at the size of the organisations, it emerges that nearly 60% of firms employ less than 100 employees.

The result of the survey/questionnaire data presented in the paragraphs below will be analysed using descriptive statistics and frequencies in SPSS. The author will start by going back to earlier 'expectations' and will use the data collected to provide answers to the questions asked. Hence, the structure of the first part of this chapter will closely reflect the structure of chapter 4.

### 5.1.1 The role of HR

As part of the importance exercised by HR, we had discussed the existence of an HR strategy, which in some countries would be written and clearly spelled out, while in some other countries it would be unwritten and more informal. Figure 15 reports aggregate percentages from 7 HR areas, namely Pay and Benefits; R&S; T&D; Communication; Equal Opportunities; Flexibility and Management development. The aggregate percentage does not seem in support of the expectation advanced in chapter four “that if Finnish MNCs in Italy prefer to make large use of written strategy (in more than 50% of cases), an influence of country-of-origin HR strategies might be present”, as only ½ of the surveyed organisations make use of written strategies in the 7 HR areas.

**Figure 15 - Does an HR strategy exist in your company? And if it does, is it written or unwritten?**

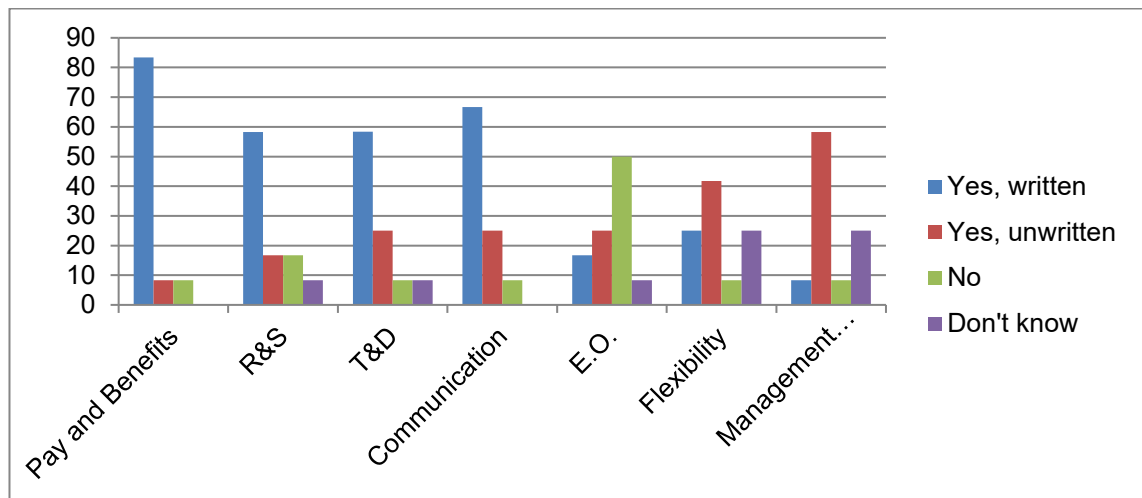


However, the standard deviation for the “written strategy” variable is quite high (28); high is also the coefficient of variation of the mean (23%); high variation is also observed in the other variables, except the ‘No’ response. These results call for a closer examination of the data.

If we look at the choice of written versus unwritten strategy for individual HR policies (see figure 16), it emerges that written strategies are widely used (58% and above) in

four HR areas (Pay and Benefits; R&S; T&D; Communication) and not very popular, used in less than 25% of cases, in the three other considered areas (Equal Opportunities; Flexibility and Management development).

**Figure 16 -Does an HR strategy exist in your company? And if it does, is it written or unwritten? Evidence from 7 HR areas**



Considering that smaller organisations with few employees might not feel the need to have policies on diversity management in place (Jennings and Beaver, 1997), it will be unsurprising to see that 6 out of the 7 organisations with less than 50 employees have no strategy at all for managing a diverse workforce and that only the largest organisations have a written strategy regarding this area.

All organisations with less than 10 employees were either unsure of whether there was a strategy for management development or stated that there wasn't any. Only the largest firm has a written strategy for the development of its managers. This result is again unsurprising as, even if it has long been recognised that management development programs would add value to all companies, irrespective of size, these programs are generally under-used (with very little training taking place, if at all) and in need of improvement in small organisations (Mangham and Silver, 1986; Handy et al., 1987; Curran et al., 1996). In very small organisations (less than 10 employees) there is likely

to be just one manager, fact that possibly doesn't require the existence of a written strategy for his/her development.

Finally flexibility in our organisations, possibly also due to the size and sector of the organisations, is very sparingly used, hence firms might not feel the need to have a written strategy in this area either.

The above discussion identifies size as a major determinant on whether organisations have written strategies on three specific HR areas; with all bigger organisations having written strategies for all areas and smaller companies only in some; hence the size variable is likely to limit the array of managerial choices. In the case of activities that *need* to be carried out, irrespective of size, managerial preferences will become apparent.

To sum up, if we take into account areas of HR which are not too strongly affected by the size/sector of the organisation, we can conclude that Finnish in Italy indeed more closely resembles the Finnish practice and **a country-of-origin effect can be reported**; confirming proposition 2a; while a 'localised' Italian approach is not favoured.

#### **5.1.2. Who has primary decision making for determining HR policies and practices? Line versus HR function.**

Figures discussed in chapter four pointed very clearly towards a Finnish preference to delegate (assign) HR responsibility to the line, either unaided or with the support of HR professionals. The opposite seems to be true in Italy, where the preference is to leave HR matters to HR professionals or to HR professionals supported by line managers.

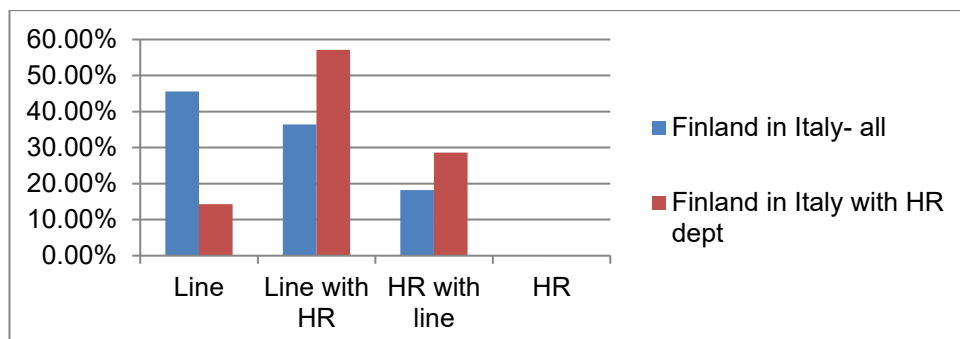
These differences and preferences for five HR areas: R&S; Pay and Benefits; T&D, I.R. and workforce expansion/reduction will be in turn illustrated and discussed.

Data were analysed separately for Finnish subsidiaries in Italy that DO HAVE and DO NOT HAVE an HR department. Looking at the data without making this differentiation would have skewed the data towards a higher involvement of line management (as organisations that do not have an HR department would not have had a choice), hence to make sure it is a deliberate strategic choice between all possible options, not a response to the organisation's contextual factors, this distinction was made. It needs to be stated that, here again, size is an important variable, as whether the organisation has/does not have an HR department is related to size; with all organisations employing less than 50 employees not having an HR department and most organisations with over 50 employees having an HR department.

The figures below illustrate preferences of Finnish MNCs in Italy (both with and without an HR department) for all of the HR areas analysed, namely:

#### a) Recruitment and Selection

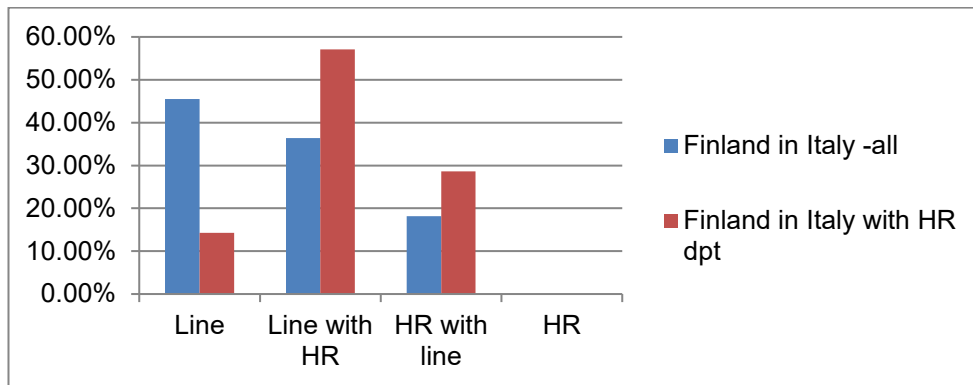
**Figure 17 - Who has primary responsibility for Recruitment and Selection?**





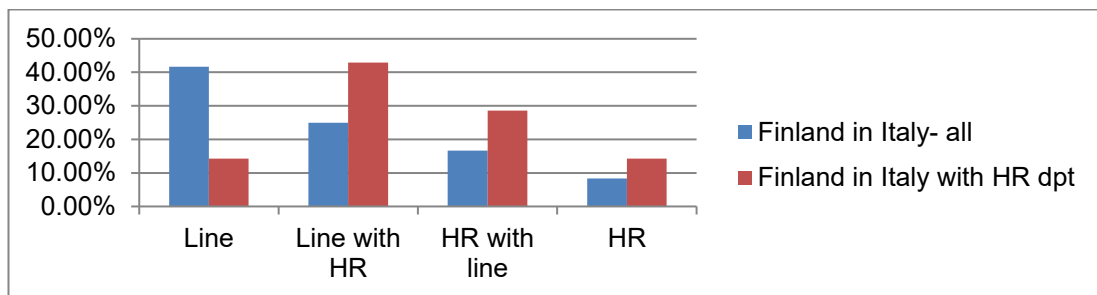
## b) Pay and Benefits

**Figure 18 - Who has primary responsibility for Pay and Benefits?**



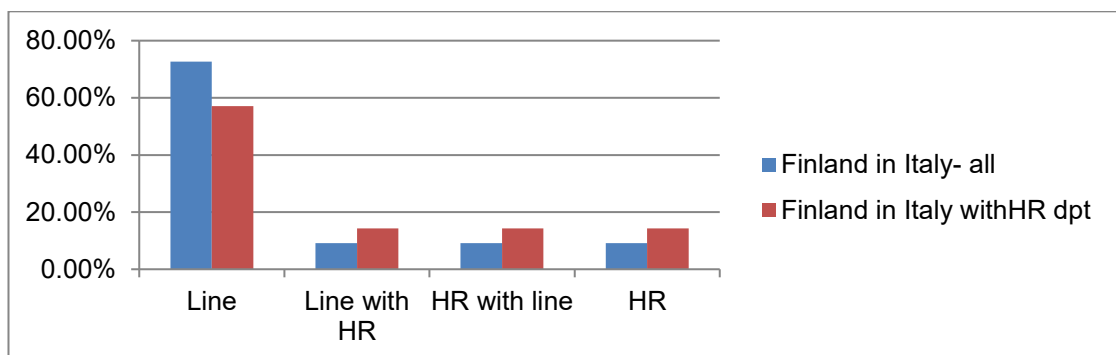
## c) Training and Development

**Figure 19 - Who has primary responsibility for Training and development?**



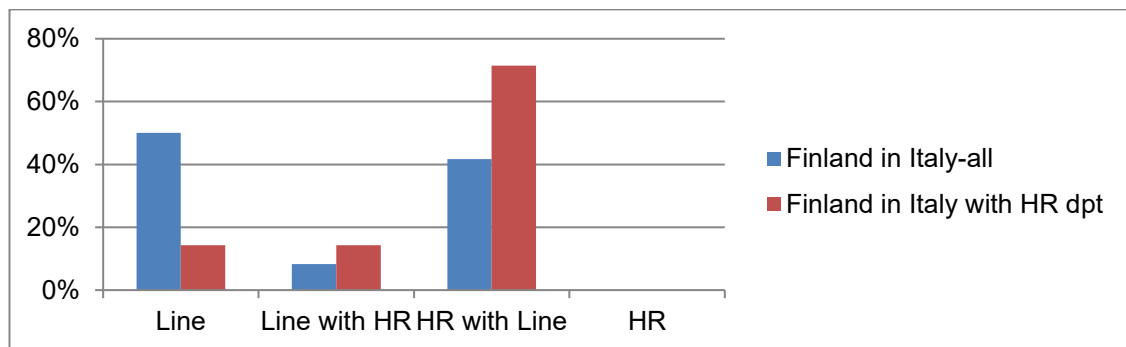
## d) Industrial Relations

**Figure 20 - Who has primary responsibility for Industrial Relations?**



e) Workforce expansion and reduction

**Figure 21 - Who has primary responsibility for Workforce expansion/Reduction?**



Without engaging into a lengthy discussion about each one of the HR areas, it has emerged that a country-of-origin effect has been observed in four out of five HR practices. Line managers, either alone or supported by HR managers, exert a major role and are primarily responsible for R&S; Pay and Benefits; Training and Development and Industrial Relations, giving support to a country-of-origin effect (and conforming proposition 2b). The only exception where partial support was found for the country-of-origin effect was in the case of workforce expansion and reduction, and the author suggests that this might be attributable to the complexity of the Italian law in the area of dismissals and downsizing.

### **5.1.3 An analysis of Staffing policies**

In paragraph 4.2 it had been observed that Italian organisations seem to favour a more ‘subjective’ approach to staffing and had been proposed that if Finnish MNCs in Italy show a preference for using newspaper advertising as a recruitment tool, a Country-of-origin effect might be detected. On the other hand, if the preferred recruitment method for managerial positions is internal recruitment, a ‘localised’ Italian approach might be adopted.

In the case of selection, if a large use of references and interview panels is made, a Country-of-origin effect might be detected.

Analysed data show that newspaper advertising is only used in about 35% of organisations while word of mouth is used by over 40% of firms. A preference for filling managerial posts internally (in 83% of cases) needs also be reported. It is evident that in the case of recruitment, Finnish MNCs tend to follow more closely the Italian recruitment style.

In the case of selection, as typical in both Italy and Finland, a tendency to prefer one-to-one interviews has been observed (in 100% of organisations and for all posts), followed by the use of application forms (used by 58% of organisations). References are used by 67% of organisations for either all/most posts and not used at all or just for a few posts by the remaining 33%. This figure is much closer to the Finnish data than to an Italian preference (references in Italy are only sparingly used). Interview panels are used for managers and professionals in about 66% of organisations, while they are not used at all in 34% of firms. This data is again closer to the Finnish *modus operandi* (approx. 75%) than to the Italian (where interview panels are not frequently used).

Proposition 2c, can only be partially confirmed; as if a country-of-origin effect can be seen in selection preferences, no country-of-origin effect was observed in recruitment methods.

This interesting result might be explained by the fact that recruitment might often be delegated to external agencies and hence follow the local practice and also to the fact that since it's mainly the local labour market that needs to be tapped into, locals might be more knowledgeable on how to do this; while selection, especially for managerial positions might require a greater involvement from the HQs, who might want to use

their own tried and tested methods. The fact that references are requested might also be explained by the fact that written policies proceeding from the HQs exist in the area of R&S and they might specifically request that a reference check is carried out. These speculations will be further explored during the interviews.

#### **5.1.4 An analysis of flexible working arrangements**

In paragraph 4.3 differences in the use of flexible working arrangements between Italy and Finland were discussed. It was earlier proposed (as an extension of proposition 2e) that: “if a large percentage of Finnish MNCs in Italy make use of teleworking for 0-5% of their employees and make use of flexi-time for a large percentage (+/-50%) of their employees, an influence of country-of-origin might be present. On the other hand, if they make a large use of shift-work for 50% or more of their employees, this might point to a ‘localised’ Italian approach.”

Collected data have revealed that teleworking and flexi-time are only sparingly used, with 70+% of organisations not using them at all. Teleworking is used by 18.2% of organisations for less than 1% of their workforce, while no organisations declared to use it for 1-5% of their workforce at all. Shift-work is more popular but not extremely popular either, as only 27% of organisations use it for more than 20% of their workforce and over 45% of organisation do not use it at all. Hence there does not seem to be a trend that can prove the existence of either a country-of-origin or a host country effect.

It was also postulated that if “on the whole, ... Finnish organisations in Italy offer more flexibility to employees than is the norm in local organisations, a country-of-origin effect might be detectible (proposition 2e).”

In this study, it emerged that flexibility is still at the earliest dawn in Finnish subsidiaries in Italy. FWAs such as working from home or annual hour contract are very sparingly used. In the case of working from home, 60% of organisations admitted that they don't use it at all, while 30% of organisations only use it for less than 1% of their workforce; in 10% of companies it is used for between 11 and 20% of employees. Annual hour contracts are even less used, 72.7% of firms do not offer this arrangement and 18.2% of organisations use it for less than 1% of their employees, while only 9.1% of companies use it for 6-10% of their employees. Casual contracts are slightly more popular as nearly 55% of organisations use them, but only for a small percentage of their workforce (less than 1-5%); 9% of firms use it for a greater number of employees (11-20%) and only in 36.4% of cases it is not used.

Nevertheless, looking at the above data (including the data on teleworking and shift-work) it appears that no more flexibility is offered to employees of Finnish companies in Italy than is offered by the Italian local companies; hence the above proposition is unsupported.

Finally, it was proposed that “a country-of-origin effect will be present if Finnish organisations in Italy made large use of fixed-term and part-time contracts.”

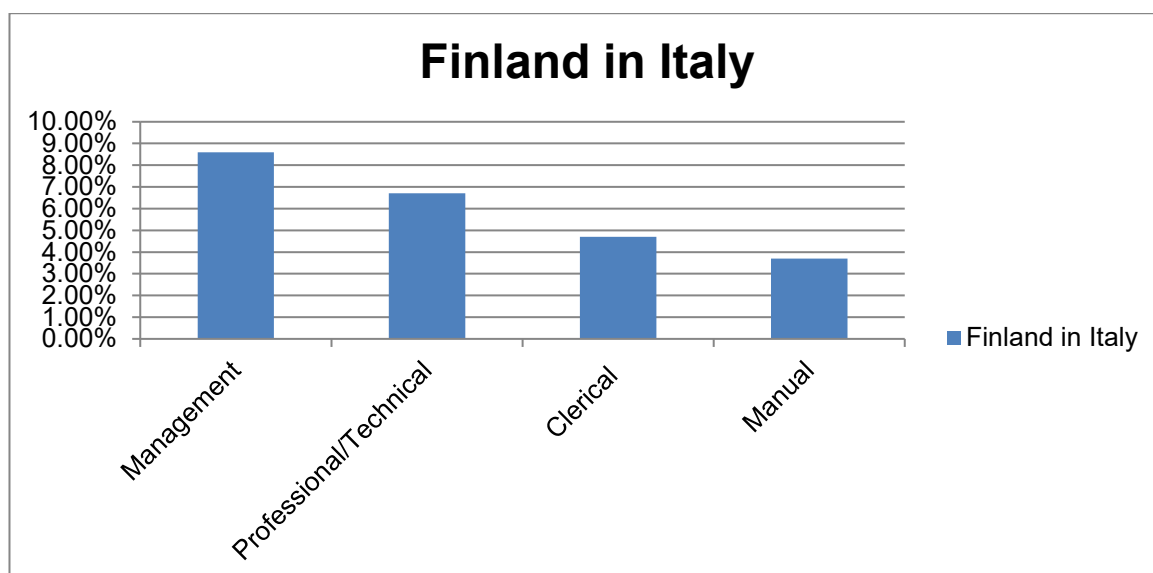
Organisations in our sample did not make wide use of either type of contracts. In fact only 8.3% of organisations used fixed-term contracts for more than 20% of their workforce, while in 75% of organisations it is used for 0-5% of the workforce; 16.7% of companies do not offer fixed-term contracts at all. Part-time contract are more popular than fixed-term contracts (only 8.3% of the studied organisations do not offer part-time arrangements) but, again, their use is fairly limited; 50% of firms only use it for less than 1-5% of their workforce; 25% use it for 11-20% of their employees and 8.3% use it

for 20% or more of the workforce. We can therefore conclude that no evidence of country-of-origin can be detected in the case of flexibility.

### 5.1.5 An analysis of Training and Development policies and practices

As discussed in paragraph 4.4, one of the indicators that a country-of-origin effect is present would be to look at the amount of training days/per year/category of employee and see whether there is a tendency to offer more training to managers than to professional and technical staff.

**Figure 22 - Training days/Year/category of employees**



The earlier expectation that “if Finnish MNCs in Italy spend more on T&D for managers, a country-of-origin effect might be present” (proposition 2h) can be confirmed, as our data have demonstrated that managers are offered on average 8.6 training days a year, average that is higher than the Italian one (only about 5 days/manager/year) and closer to the Finnish one (nearly 7 days/manager/year).

Another proposition (part of proposition 2d) had been advanced and this related to whose views are taken into account when determining training needs. From the CRANET data it emerged that in Finland training very often follows the request of

either line management or proceed from the employees. This practice is not very common in Italy, where employees' views are rarely or never taken into account (reflecting cultural preferences, such as PD, that has a strong influence of the amount of employee participation). We had hence proposed that "if individuals' and line managers' views are taken into account to establish training needs in Finnish MNCs in Italy a country-of-origin effect might be present."

Collected data has demonstrated that about 75% of organisations ALWAYS act at management request and the remaining 25% OFTEN act at management request. Hence, as expected, management view is taken into account in most cases. It also emerged that 37.5% of organisations OFTEN act at employee's request and 62.5% SOMETIMES act at employees' request, indicating that although not the norm, employees' views about training needs were heard and considered in many cases and no organisations admitted to never take employees' voice into consideration. We can then confirm our proposition and argue that a country-of-origin effect is here visible.

#### **5.1.6 An analysis of Appraisal policies and practices**

CRANET data have demonstrated that there is a wide gap between the use of appraisal systems in Finland and in Italy. The former making use of appraisals across all categories of employees only in 55% of cases and the latter using appraisals in 90% of organisations.

It had been earlier postulated that "if Finnish MNCs in Italy make less use of appraisal than the European average (75%), a country-of-origin effect might be present. On the other hand, if their use of appraisal is much higher than the European average, this might point to either a 'localised' Italian approach or to a 'convergence towards Anglo-

Saxon models of best practice”. Collected data demonstrates that only about 55.6% of organisations use appraisal across all categories of employees, while 44.4% of organisations would only use appraisal for management, professional and administrative staff. Here again, our expectation has been met and a country-of-origin effect can be confirmed.

Another important area in appraisal practice relates to WHO is involved in the process and consulted about the employee’s performance. Literature and data review had led to propose that “if Finnish MNCs in Italy ask for input from supervisors and employees (and eventually subordinates, peers and customers) as part of their appraisal process, a country-of-origin effect might be present. On the other hand, if they rather limit their request of input to the supervisors (and mainly to the next-level supervisors), this might point to a ‘localised’ Italian approach” (in proposition 2d).

Collected data highlighted that in 70% of the observed cases, the employee’s input is requested, either with the immediate supervisor’s input (50% of cases) or with the next-level supervisor’s input (20% of cases). In the remaining 30% of organisations, only the immediate supervisor was consulted. The importance given to the consultation of the employee might indicate the presence of a country-of-origin effect, but since in no cases were subordinates, peers and colleagues consulted (which seems to be common practice in Finland), our finding might also be pointing towards the use of ‘best practices’ and a directional convergence towards the Anglo-Saxon model. Although it needs to be acknowledged that the choice of who is to be involved in the appraisal process might be a step towards the ‘Finnisation’ of Italian practices (or Italianisation of the Finnish practices), an in-between in a route towards more inclusiveness and towards a more egalitarian approach. This theme will be further explored in the interviews.



### **5.1.7 An analysis of Pay and Benefits policies and practices**

As discussed in chapter 4, policies and practices around the determination of basic pay are very similar, with a high incidence of national bargaining in the two countries.

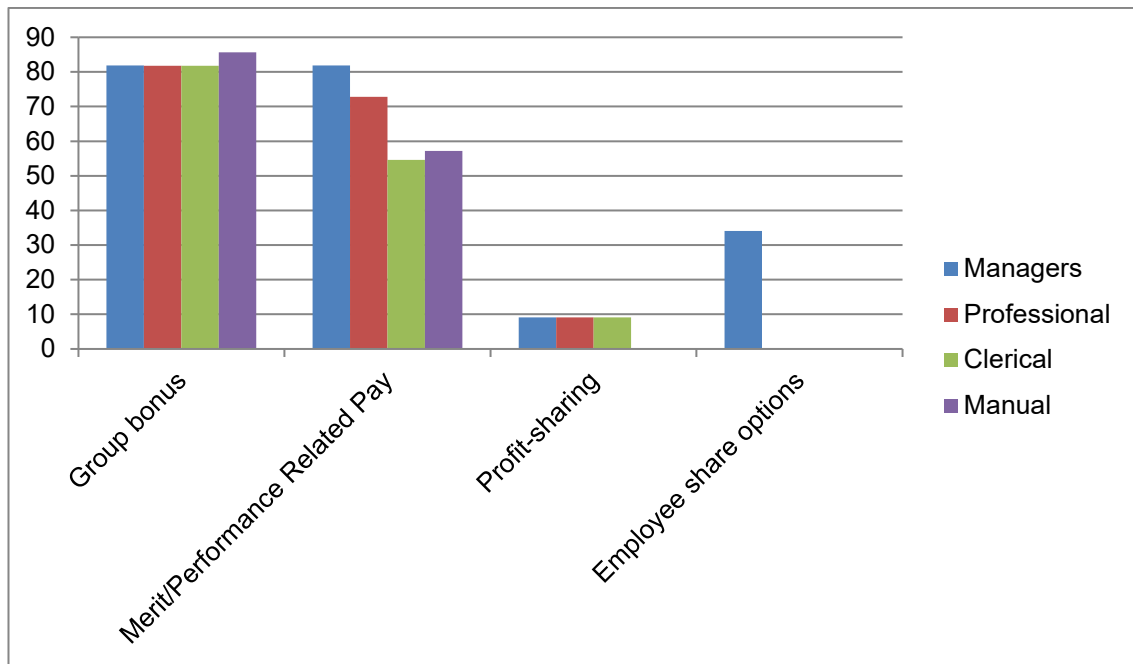
One of the dissimilarities encountered concerns the typologies of variable pay used, with Finland making large use of profit-sharing schemes in approximately 80% of organisations and Italy not using it very much at all (2%). A proposition had been formulated as follows: “if Finnish MNCs in Italy make large use of profit sharing, a country-of-origin effect might be present” (in proposition 2d).

Collected data demonstrate that the most frequent form of incentive across all categories of employees in Finnish subsidiaries in Italy is group bonus, used by well over 80% of organisations. Performance or merit related pay is also widely used, especially in the case of managerial positions, where it also reaches peaks of 82%.

Employee share options are only used by over a third of the observed organisations and only for managers, while profit-sharing is not largely used by Finnish organisations in Italy, since only about 9% of organisations use it across three categories of employees (managers, professionals and clerical) while it’s not used at all for manual staff.

Hence, the expectation was not met as no country-of-origin effect is discernible.

**Figure 23 - Percentage of use of incentives for the four categories of employees.**



### **5.1.8 An analysis of Employee Relations and Communication policies and practices**

Employee Relations is often explored through the study of the role and influence of Trade Unions. It is an area that has traditionally been seen as “polycentric”, as the need to comply with institutional requirements exerts a strong pressure to conform to local standards (Marginson, 1992; Ferner, 2007).

From the Finland versus Italy comparison, a few points of difference have emerged and it is on these differences that our postulation finds its *raison-d'être*. It has been highlighted that union density varies quite drastically in our two countries, with Finland boasting a unionisation rate of over two thirds, against the Italian one third. We had hence assumed that “if union density in Finnish companies operating in Italy is very high (above 50%) a country-of-origin effect will be present; while if only about one third of employees or less are members of a TU, a localised approach might have been adopted” (proposition 2g).

From our data it has emerged that 16% of organisations have decided not to answer to this question (by stating that they do not know what is the TU membership, which would be surprising in the case of very small companies, as it is the case in this study); 33% of organisations do not have TUs; 42% of organisations have stated that approximately 1-10 % of their employees are members of a TU. Only one organisation has acknowledged having a TU membership rate of 51-75%. These figures might be related to the size of the organisations, as the only one with the greater membership rate is also the biggest organisation, employing 1500 employees; but not all other larger firms have a higher unionisation rate. Unionisation rate in Finnish MNCs in Italy (even in larger organisations, but one) is generally between 1-10%, with the smaller organisations not having TUs at all. It seems safe to conclude that this figure is much lower than the Finnish practice, hence a country-of-origin effect cannot be observed here.

Another important role in employee relations might be played by Works Councils, both Italy and Finland seem to be prone to accept and deal with Works councils and their existence is stipulated by the government, hence we can postulate that “If Finnish Companies operating in Italy (and with more than 15 employees) have no workplace councils and less than 25% or no employees are members of a TU, this might indicate a move away from both Finnish and Italian models of employee relations and maybe point towards an “Anglo-Saxonisation” of employee relations.”

In our sample, only two organisations have Works Councils (they are both the largest organisations of the sample, having 1500 and 1000 employees respectively); all other companies, despite of their difference in size (the organisations with 15 employees or above have a size comprised between 24 and 500 employees) do not have Works

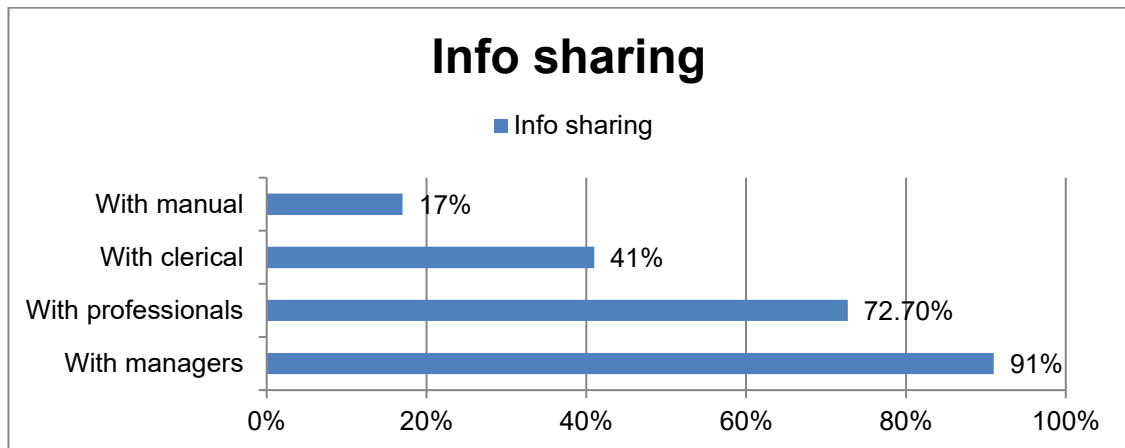
Councils. As stated earlier, the combination of low TU membership and lack of presence of Works Councils might point towards an ‘Anglo-Saxonisation’ of working practices, but may be rather related to the small size of the sampled organisations. This theme will be further explored in the interviews.

Finally, our last proposition (proposition 2g) concerned the way important issues (such as organisational strategy; financial performance and work organisation) are communicated to different categories of employees. Evidence from CRANET, suggested that Finnish organisations are again more egalitarian (feminine, less hierarchical, Hofstede, 2001) in their approach and tend to keep clerical and manual employees well informed too. The same cannot be said of Italy, which is still working towards the implementation of better communication strategies.

It was hence postulated that “if Finnish organisations in Italy choose to inform all categories of employees of both organisational strategy and organisational performance and brief clerical and manual staff in more than 50% of cases, a country-of-origin effect will be present. If the ‘communication slope’ is rather steep and clerical/manual staff are generally not so well informed, a ‘localisation’ effect might be prevailing.”

In collected data, it looks as if the good communication practices in place in Finland have not made their way into the Italian territory. In fact, although Finnish organisations in Italy are happy to share information on organisational strategy, financial performance and work organisation with managers and professional staff (91% and 72.7% of organisations respectively); the same information is disseminated only in 41% of cases to administrative staff and even less (17%) to manual staff.

**Figure 24 - Percentage of information sharing (formal communication) about organisational strategy, financial performance and work organisation with four categories of employees.**



Only 50% of the observed organisations have some sort of formal communication mechanisms/policies in place for manual staff, and of this 50%, less than half communicate their organisational strategy only to manual staff. Hence no evidence of a country-of-origin effect has been found.

#### **5.1.9 A summary of survey findings**

In an attempt to summarise and interpret the above paragraphs, Table 19 has been presented:

**Table 19 - Country-of-origin, host-country or convergence towards best practices?**

<b>HR strategies/ HR Policies &amp; practices</b>	<b>Evidence of country-of-origin effect</b>	<b>Evidence of 'localisation' (host-country) effect</b>	<b>Convergence towards Anglo-Saxon models</b>
<b>Existence of strategy: written versus unwritten</b>	√		
<b>HR versus Line</b>	Line responsible for most HR policies and practices		
<b>Recruitment and Selection</b>	√	√	
<b>Flexibility</b>		√	
<b>T&amp;D no. of days/mgrs. Views considered</b>	√ √		
<b>Appraisal</b> a. Usage % b. Who is involved	√		Possible indication?
<b>Benefits/Incentives</b>		√	
<b>E.R.</b>			Possible indication?
<b>Communication</b>		√	

Table 19 highlights cases where: a) a country-of-origin effect has been found; b) local management style has been preferred; and c) we have found evidence of a 'best practice' approach that seems to point to convergence of policies and practices chosen. Country-of-origin effect seems to be prominent in some HR areas but not in others. The role played by line managers versus HR managers is strongly influenced by the country-of-origin, except in the case of workforce expansion and reduction. The country-of-origin also shapes policies and practices in the area of training and development and determines the proportion of use of appraisal systems. The HC is very influential when it comes to the choice of how formalised the HR strategy should be, in the type of incentives that are offered to the employees and in the way communication takes place. Finally, a preference for HR policies and practices which are not specifically attributable to either country-of-origin or host-country, but rather to the 'bundle' of Anglo-American best practices could potentially be seen in the IR system (although the reported preference not to have TUs and Works Councils are more related to the small

size of most organisations) and in the opening of the appraisal systems to employees. These two areas will be further explored in the interviews.

In the next paragraph case study data will be presented and will be triangulated with the above results and then a joint analysis/discussion will be presented.

## **5.2 Case studies data**

Yin (2003) recommends that a case study protocol is followed for the analysis and presentation of case study data (see appendix 4). He also recommends that after a very brief introduction of each case study company, the analysis be undertaken as a cross—case analysis as to allow for comparability and provide greater insight. Hence in sections 5.2.1 to 5.2.4 an initial snapshot of the ‘mini case study’ companies will be provided, followed by an analysis of the CS companies’ HRM policies and practices. Together with the interview notes, the author has also analysed a variety of company documentation, such as: annual reports; internal communications and memos; press releases; newspaper articles and company websites. Unfortunately many details cannot be provided for the sake of anonymity of the participants. Company and interviewees names are fictitious as to grant anonymity to the participants.

Due to the small number of respondents (1 or 2 per case), one might question whether the data can be accepted as a case study. Creswell (2009) presents a list of requirements for a study to be considered a case study:

- Multiple sources of information have to be used
  - (in this case data were proceeding from: a questionnaire mapping the company’s HR systems; semi-structured interviews; a variety of company documentation, as listed above);

- The context and setting of the case study has to be very clear
  - A detailed analysis of the country of origin of the companies was carried out; as well as a detailed analysis of the country of operation (analysis included cultural traits; institutional profiles; some main legislative requirements and hinted to the economic climate);
  - Some important figures and financial data for each company were also provided, as well as some information about the organisation's market and strategy;
  - An explanation of the subsidiary's role and strategic importance within the MNCs was provided;
  - A detailed analysis of the company's HRM policies and practices was presented.

Furthermore, it is important to consider that the local respondents are the only persons responsible for HR in the subsidiary and that since all case study companies are very small in size, other respondents could have only been chosen amongst employees who might have not provided any extra insight on the problem under investigation. In the case of Mazaan, both local manager and Global HR manager were interviewed. Initially only one respondent per company had been selected but following a restructuring of the current thesis, and to include a 'HQs' perspective', the researcher tried to encourage the participation of HR managers from the HQs and two more interviewees agreed to collaborate, unfortunately one of the interviewees then decided to pull out at the very last minute and to use his right not to participate. **He only gave permission to anonymously (without reference to his company) give a general overview of his position. The researcher can safely state that his position and most of his answers very closely mirrored those of Markuus, the global HR manager at Mazaan and**



**that the HQs versus subsidiary relationship is strongly affected by the perception gaps that will be discussed later in this chapter.**

In the table below, a summary of the case study companies has been provided:

**Table 20 - Case study companies – initial overview**

COMPANY NAME	RESPONDENT	SECTOR	SIZE	TURN OVER	ESTABLISHMENT	AGE of subsidiary	SIZE of Subsidiary
A&S Int.	1. Corporate HR manager (Odetta) From HQs	Manufacturing	<150 employees in 8 countries worldwide	<50 ml USD	Greenfield Site	<10 years	5 employees
Agika	1. Redeployed HR administrator (Maria) From local subsidiary	Manufacturing (Chemical)	5000 employees in 40 countries	2000 ml Euros	Greenfield site	<15 years	>50 employees
Mazaan	1. Business controller with HR duties (Franco) From local subsidiary  2. Global HR manager (Markus)	Manufacturing	900 employees worldwide	<200 ml Euros	Greenfield site	<20 years	25 employees
KAIG	1. Managing Director with HR duties (Paolo) From local subsidiary	Manufacturing	500 employees worldwide	<100 ml Euros	Greenfield site	< 15 years	5 employees

A few points that all case study companies have in common: a) They all operate in the manufacturing sector; b) they all operate in very competitive markets and all have to cope with the market fluctuations and rapid technological changes of the globalised era; hence c) they all have some common aims and goals, such as becoming more agile and innovative both in their product development and in the used business models and to try and become more customer-responsive; and finally d) they all hold very strong

positions or are market leaders in their respective areas e) the Italian operations are used to adapt their global products to the needs of local market, hence (except in the case of Agika, that works with a different technology and different products) most local units will function as ‘local implementers’ (Birkinshaw and Morrison, 1995; or ‘autonomous’ –Jarillo and Martinez (1991)).

To provide a greater insight on the case study companies, table 21 compares them across a few important points, such as the company’s experience as foreign investor; the number of countries of operation; the composition of the Board of Directors; the chosen International strategy and the role given to the Italian subsidiary.

**Table 21- An overview of the case study MNCs**

COMPANY NAME	Experience as Foreign Investor	Number of countries of operation	Board of Directors	CEO	International Strategy	ROLE of Subsidiary
A&S Int.	>15 years	<10	6 Finnish Male	Finnish Male	Poly/Regio-centric	Local Implementer
Agika Oy	<50 years	40	5 Finnish	Finnish 3Male 2Female	Poly/Regio-centric	Local Implementer/ World Mandate
Mazaan	>40 years	14	7 Finnish 6 Male 1 Female  1 is an annually elected personnel representative	Finnish Male	Polycentric	Local Implementer
KAIG	>50 years	<10	5 Finnish Male	Finnish Male	Polycentric	Local Implementer

### **5.2.1 Case 1: A&S International**

A&S is a very young company, founded in Finland some 15 years ago and operating in Italy (as a greenfield site establishment) since 2006. It's a family business that provides offshore accommodation and food handling solutions to their customers: ship-owners; shipyard; offshore and landside customers. Services include detail design and engineering. A&S over the years has opened offices in seven countries worldwide.

A&S employs over 100 employees worldwide; in 2012 the company had a turnover of nearly 30 million USD. A&S strategy aims at "creating value through expertise and deliver with the goal of meeting and surpassing customers' expectations". Amongst the company values figures sustainability and community involvement, as A&S has been donating to a Finnish University with a view to both support the high quality of Finnish education and as an investment for their future recruitment needs.

The company operates in a very competitive market and has been affected by the recent economic recession. However, A&S has reacted with a process of corporate restructuring (including recruitment freeze and a few redundancies) for the first time after its foundation, with the aim of responding to the industry leaders for each of its three new 'segments' of operation. In this process of global re-engineering, their staffing strategy aims at continuing to hire employees in areas of strategic growth, while no plans for more downsizing are made explicit.

A&S is led by an all-Finnish, all male Board of Directors and by a male, Finnish CEO. A&S is a foreign investor since 1999, year when its first oversea operation was opened in the US. The Italian operation is a small team (5 employees) that deals with the design side of the business and is led by a deputy general manager/system manager. The international strategy adopted by the HQs is a hybrid "poly/region-centric" approach

(Perlmutter, 1969) as: HC managers are responsible for local decision-making (but have no financial or strategic control); there are no expatriates; T&D is aimed at locals too; promotion opportunities are offered to HCNs, but there are no HCN in the board of directors and an effort to adapt HRM policies and practices to the local context is made (traits of the polycentric approach) but then the relationship between HQs and local subsidiary is mediated by the regional centre (in France) and managerial posts are advertised as ‘European/regional’ level. Nevertheless a pure region-centric approach is not used as HR practices are managed by the local MD with little influence from the French regional centre, and no posts are currently occupied by regional employees. There is more national rather than regional autonomy in decision-making and HR policies and practices are designed to suit the country and not the region concerned.

The role of the Italian subsidiary fall into the category of “local implementer” (Birkinshaw and Morrison, 1995) as local competences are not key to the organisation’s success, the Italian operation is not a strategic player but is rather in charge of adapting global products to the need of the local market.

The respondent was the global HR manager of the company, Odetta, who was happy to illustrate the history of the company and explain how/why HR policies and practices are determined and discuss the relationship between HQs and the Italian subsidiary.

### **5.2.2 Case 2: Agika**

Agika Oy was born in Finland as a State-owned company in 1920, in the 1960s it started its internationalisation process and opened up a green-field site in Italy in 2000. Since 2007 the company reduced its state participation to approximately 20% and privatised 80% of its asset. Agika is a chemical industry that operates in three main

sectors. It has revenues of over 2000 million euros and employs approximately 5000 people in 40 Countries. Agika's corporate strategy is to provide expertise and innovate together with their customers for sustainable solutions and one of their core values is to care for people and environment while driving performance and innovation. The company is divided into three customer-based segments and is led by an executive board (composed of 5 Finns and by a Finnish CEO), which includes the global HR director.

The type of market where Agika operates is very competitive and the company has been strongly affected by the economic recession of recent years. Its response has been the launch of a 'restructuring programme' (Ready to grow), aiming to make the company more agile and 'leaner', this included a number of redundancies and redeployments worldwide. After the downsizing, Agika is now focusing on growth by trying to establish a performance and innovation driven culture and has positioned itself as one of the most competitive firms in its market.

In Italy, Agika operates in two main sites; one is an administrative and sales point (this employs some 30 employees) and the other is a factory (which employs approximately 20 people). The Italian operation is led by a Managing Director (MD), who has to adhere to the company's guidelines but is given a great amount of autonomy.

Agika Italy plays a strategic role within Agika Oy as, in its factory, it produces high volumes of the desired product (cannot disclose what material it is for confidentiality issues) at very competitive prices and with state of the art technology.

The internationalisation strategy used, is a hybrid 'poly/regio-centric' one (Perlmutter, 1969), as very similarly to A&S it is rather a case of a polycentric approach but with the

mediatory role of region. The role of the Italian subsidiary can be defined as an in-between of “local implementer” and “world mandate” (Birkinshaw and Morrison, 1995) as if it doesn’t have any research and development carried out locally and it is quite dependent on the HQs, it has also been given responsibility for a new product line and possesses some valuable local resources and capabilities. There is a regionalised’ HR department, based in the UK; this office is responsible for the following countries: UK, France, Italy and Germany.

On this occasion, the person responsible for HR administration in Italy until very recently –Maria- was interviewed (the post was very recently made redundant, as part of a significant restructuring process, and the person was redeployed in another role, while all HR duties now rest with the Italian MD and the regional HR unit).

### **5.2.3 Case 3: Mazaan**

Mazaan was born in Finland in 1943 and is a world leader in the production of abrasive products and is a globally expanding company with subsidiaries located in Europe, North and South America and Asia. All research and development activities are carried out in the HQs although the company owns 14 commercial and technical support units in 14 countries and has been a global investor since 1976. Mazaan had a turnover of nearly 200 million euros and employed nearly 900 people in 2012, of which just above 600 in Finland and nearly 400 in its subsidiaries. The company’s motto is “Quality from start to finish” and great importance is conferred to creativity and innovation. Mazaan is an Investor in People accredited organisation. The corporate staffing strategy states that personnel plays a vital role and some looked after competences, seen as preconditions for Mazaan’s future, are high staff motivation, high proficiency and high satisfaction; hence the company commits to continuously support and train its people and to make

long-term investments in innovation. Mazaan is led by a Board of directors composed by 7 members, 6 male and 1 female, all Finnish. The Board of directors include the HR manager but also 1 annually elected personnel representative. The CEO is also Finnish and male.

Mazaan opened up a sales point and expert technical support service unit in Italy in 1995, where it now employs some 25 employees.

The internationalisation strategy used very closely resemble the polycentric approach, as defined by Perlmutter (1969; see 1.2.1). The Italian subsidiary does not play a highly strategic role within the organisation, as it mainly deals with technical support and customer care. In Birkinshaw and Morrison's (1995) classification, the subsidiary plays the role of 'local implementer' with both weak strategic functions and capabilities. In Italy, the HR interface is a business controller (Franco), who deals with HR issues and agreed to be interviewed. In the case of Agika, the researcher was able to interview the Global HR manager (Markus), who enriched the research by providing a HQs' perspective.

#### **5.2.4 Case 4: KAIG**

KAIG was founded in Finland in 1901 and is a world leader in the manufacturing and supply of flexible manufacturing systems. KAIG became a foreign investor some 50 years ago and in 2012 had a turnover of nearly 90 million euros and employed nearly 500 people, with subsidiaries in 7 European countries and in Japan and the US.

The company's goal is to improve its customers' competitiveness through automation of processes and to provide a comprehensive range of solutions and services that allow

customers to achieve optimum capacity, flexibility and rapid return on investment. KAIG prides itself of the broad age range of its workforce that allows it to gain from both the older and more experienced employees as well as from the younger employees who are more familiar with the latest innovations in research and technology. One of KAIG's core stated values is 'treating everyone with trust and respect'. KAIG has maintained a strong position in its market, despite market fluctuations and is always trying to invest in leaner ways of production and on innovation.

KAIG opened up a sales/ technical assistance point in Italy in 2001, where it employs 5 employees (one MD that also deals with HR and finance; one part-time assistant who deals with marketing and administration and three technicians).

The internationalisation strategy used is the 'polycentric' (1969, see 1.2.1). The Italian subsidiary is not very strategic, and could be classed as a 'local implementer' in Birkinshaw and Morrison's (1995) classification; as if it is true that it produces significant revenue for the whole company, it is also true that it does not possess any strong location advantage or essential resources.

The Italian managing director himself (Paolo) agreed to participate to this study and share some valuable information on the HRM systems in Italy.

### **5.2.5 An analysis of case study findings**

In the following paragraphs, some of the key themes emerging from both the literature review and from the analysis of the survey data will be analysed and discussed. An initial triangulation with survey findings will also be proposed.



For illustrative purposes, hereafter a meta-matrix (a juxtaposition of all the single-case information in one table where all relevant data is condensed and included (Miles and Huberman, 1994:178)) will be presented, with the aim of comparing the various HR practices listed in table 19, but this time populated by findings proceeding from the case study analysis. These selected HR practices have been reviewed during the interviews both to provide a triangulation with survey findings and, most importantly, to try and understand –wherever possible- why some specific choices have been made. In NVivo, a ‘node’ for each of the policies and practices was created and relevant information, directly proceeding from interview notes (verbatim quotations in italics) or from company documentations (in inverted commas when direct citations), has been coded under the respective node. Some of the most illustrative examples in each node have been reported in table 22.

Unfortunately, there was no possibility of looking into the HR versus line manager responsibilities, as none of the case study companies had a local HR manager, hence all HR duties were necessarily delegated to local managers (MD or business controllers). One interviewee commented on the matter by stating that: *“especially in small units, the presence of an HR department with an HR manager cannot be justified and HR duties are delegated to managers”* (Franco, Mazaan), while another interviewee also stated that major decisions in terms of HR are taken by line managers, supported by corporate HR as *“country and line managers are key in pushing HR and leadership issues and have the ultimate duty of managing the people in their organisations”* (Odetta, A&S).

**Table 22 – A meta-matrix of HR policies and practices of Finnish MNCs in Italy**

HR policies/ Practices	A&S	Agika Oy	Mazaan	KAIG
Presence of Written Strategies	<i>In most areas, as “this avoids misunderstandings”. “One company, one</i>	<i>In most areas. “Agika code” sets guidelines for all aspects of business</i>	<i>“Written guidelines/strategies established at company level ..and</i>	<i>“A written strategy exists for <u>some</u> <u>specific HR areas</u> such as R&amp;S,</i>

	way of doing things”	conduct, including HR, and acts as a framework to ensure that Agika’s values are complied with worldwide.	cover <u>most HR areas</u> ”. A new document management programme being implemented with more clearly spelled out. Goal: eliminate non -conformity in subsidiaries.	training and communication, while there isn’t any in the areas of EO and management development”..”
R&S	Staffing practices are varied. New resources always to be approved by HQs. <u>All managerial positions filled through a range of methods. Newspaper advertising used. Preferred methods of selection for every appointment: interview panels; one-to-one interviews and references.</u> “Temporary recruitment freeze in response to the current economic climate.”	Staffing practices are varied e.g.: <u>recruitment abroad and retraining</u> existing workforce. “Staffing strategy comes from HQs, “R&S activities are highly devolved to the local MD. Only managerial posts are managed at European level and <u>advertised as ‘European posts’</u> . Recruitment here has to be supervised by the HR regional office and interviews take place at ‘corporate’ level; involving both the regional and central offices.” <u>Selection= one-to-one interviews, references..</u>	“A new post is generally created by the HQs, or ...needs to be approved by the HQs”. “Job descriptions are written in conjunction between local line managers and HQs”, R&S nearly entirely in the hands of local recruitment agencies. Managerial positions “follow a different procedure; ... R&S are dealt with by the Finns. ...final interview will take place in Italy and in Finland.” <u>Selection= one-to-one interviews, references..</u>	At the operational level, R&S in Italy is carried out by the MD, who has decision making power, but “first all new posts have to be approved by the HQs.” Recruitment attracting young graduates from technical schools, following teachers’ recommendations. Rarely, use of temporary agencies is made. In the case of managerial posts (1), R&S is managed by the Finns and two interviews will take place, 1 in Italy and 1 in the HQs. <u>Selection= one-to-one interviews, no references..</u>
Flexibility	In Italy, less than 1% of the employees are working part-time or working from home and between 1 and 5% work with a fixed-term contract. There are no shift-workers; casual workers; teleworkers or workers employed with annual hour contracts. “The need to offer more flexibility to the Italian employees is not felt by either the locals or by the HQs.”	In Italy, no employees working part-time or working from home and between 1 and 5% with a fixed-term contract. About 1/3 of the workforce works shifts (3 shifts/24 hours); no casual workers; teleworkers or workers with annual hour contracts. Working shifts seen only as a necessity for the nature of work. No clear answer to explain why other forms of flexibility (FWAs) were not considered.	In Mazaan Italy, there are 2 employees working part-time (8%) but no other forms of flexible working arrangements.  “There is no recognised need to offer more flexibility to employees and no requests from the workforce have been advanced to claim any”.	In KAIG Italy, there is one part-time employee but no other forms of flexible working arrangements.  “We cannot afford to allow more flexibility to the few employees that we have”.
T&D	Less than 5% of employees’ annual salary spent on training. <u>All staff categories offered 5 days/year.</u> About 50% of the Italian workforce on internal or external training activities in the last year. Training needs	“Training registers currently managed locally”. Now implementing a ‘global learning management system that will allow visibility and full reporting...” Less than 5% of employees’ annual salary spent on	3.5% of employees’ annual salary spent on training; staff from all categories offered +/- 5 days training/year, with <u>management receiving the most (nearly 10 days/year)</u> and administrative staff the least (2	No definite figure for % annual salary spent on training. Staff offered training ‘as needed’. Training needs systematically analysed: “two or three annual meetings help with the establishment of internal training

	<p>systematically analysed and training always follow either a line management request; an <u>employee request</u> or a performance appraisal; occasionally proceeds from the company's business plan. Effectiveness always measured though changes in performance. "Extra opportunities for management development are provided"</p>	<p>training. <u>All staff categories have been offered 5 days/ year.</u> Training needs systematically analysed and training always follows a line management request; often follows an <u>employee request</u>; is the outcome of performance appraisal; or proceeds from the company's business plan. "</p>	<p>days/year). At the moment, "training is generally offered in case of real need, e.g. in the case of an update or of an important change. Every training intervention is either proposed by the HQs or needs to be approved by the HQs." Effectiveness of training not systematically measured. <u>Employees are involved</u> in the training needs analysis.</p>	<p>needs; external training is only offered in response to specific new needs. A training budget is included in the annual budget agreed with the HQs but that can be used very flexibly". Training intervention always follow a line management request; although "training needs are always established <u>together with the employees.</u>" Effectiveness not systematically measured. Unclear corporate guidelines.</p>
Performance Management / Appraisals	<p>Appraisal systems in place <u>for all categories of employees</u>; parties involved <u>immediate supervisor; the next-level supervisor and the employee.</u> <u>Employees are involved</u> "as this is common practice in our organisation and is seen as a logical choice". Colleagues' and customers' input not requested as "it may not sit well with the Mediterranean culture as it might lead to loss of face".</p>	<p>Being updated. Global Performance Management Process via PDD to include all employees by end of 2014. "All permanent white collar employees covered by global performance ...process . Blue collars... covered partly in similar processes managed locally". Appraisal systems are in place for <u>most categories of employees</u> (56% of employees covered ww) and parties involved in the appraisal process are always the <u>immediate supervisor; the next-level supervisor and the employee</u>; "employees in Italy would be reluctant to be judged openly by peers and customers. I don't think it would go down very well".</p>	<p>The company's appraisal system "is being (re)structured. At the moment Mazaan Italy only appraises salesmen" "Employees need to <u>actively participate</u> in the process as it is important that they have understood what are the company's expectations and because they are generally offered a performance-related bonus". <u>Employees, the supervisor and the next-level supervisor</u> participate in the appraisal meeting. HQS set overall quality goals through systematic targeting , gauging and follow-up (currently these processes are being improved).</p>	<p>The company's appraisal system "consists in two or three review meetings every year". "We have a process of 'matrix goal discussion', whereby general goals and performance are discussed between <u>employees and MD</u>, while technical goals are reviewed and set between technicians and the Finnish technical assistance manager". Hence, <u>the employee, the MD and a technical supervisor</u> participate in the appraisal meeting, "this is the company policy".</p>
Pay and Incentives	<p>Job grading and salary scales are delegated to the local MD, but the approval of the HQs is always needed. A good level of autonomy is left to the MD on this area, who acts with the support of an external consultancy.</p> <p><u>Some use of employee share options for managers and profit</u></p>	<p>"Remunerative profiles including compensation and benefits are determined locally by the MD, with the administrative side of this being outsourced to an external consultancy". Group bonuses and performance related pay offered to all categories of</p>	<p>Job grading and salary scales delegated to the local MD, but the approval of the HQs is needed. Remuneration package based on national/collective contracts of their respective sectors, but in both cases a "superminimo" is applied. Management pay is determined at</p>	<p>Job grading and salary scales are delegated to the local MD, but the approval of the HQs is always needed. A good level of autonomy is left to the MD on this area, who acts with the support of an external consultancy.</p> <p><u>No use of employee share options or</u></p>

	<u>sharing for most employees.</u>	employees but <u>no use of employee share options or profit sharing.</u> “In 2013 implementation of global job structure, linked to job grades; salary range and incentive opportunity”.	the individual level. <u>No use of employee share options or profit sharing.</u> “Remuneration systems are being updated to reward skills and flexibility”.	<u>profit sharing.</u>
E.R.	There are <u>no TUs and no works Councils in A&amp;S Italy.</u>  <i>“It is a very small, non-conflictual, smooth-running reality”</i>	Agika “respects the right of all personnel to establish or join TUs and other representative organizations.” It “follows all local laws and regulations and other agreements” in many cases e.g notice periods. Italy works with one <u>TU (CGIL), active in its factory</u> through 1 union representative and 2 workers’ representatives ( <u>membership around 10%</u> ). No works councils.	There are <u>no TUs or Workers’s councils in Mazaan Italy.</u>  <i>“The company is quite small and it operates like a family, TUs or Works Councils are not needed”</i>	KAIG Italy has an internal TU representative but with a non-active role. <i>“Ain’t nobody here but us chickens!”</i> with only 5 employees who work together collaboratively the need of recurring to IR has not been felt.
Communication	A&S briefs <u>all categories of employees on organisational strategy; financial performance and organisation of work.</u> Communication with the workforce happens verbally through individual or team meetings and via email.	<u>All categories of employees are informed of organisational strategy; financial performance and work organisation.</u> Biannual <i>Views</i> survey. ‘Sharpened’ communication Strategy launch in April 2013. “Beat change survey annually. European Forums, town-hall meetings”.	<u>All categories of employees are informed of organisational strategy; financial performance and work organisation</u> as <i>“this is the company policy, as required by the HQs”</i> . Communication happens mainly verbally through staff meetings	<u>All employees are informed of organisational strategy; financial performance and work organisation</u> as <i>“there is so few of us that we work very closely together and share all information that we have”</i> .  “Share your ideas”

After coding *within* each case study and populating the HR –related nodes, the evidence ‘*across*’ the four case studies was analysed. Within some of the nodes, two different narratives were also visible, the local managers’ and the HQs’, these will be compared and discussed.

### 5.2.5.1 An analysis of written strategies

In the area of ‘**written strategies**’, from the point of view of the HQs, strategies are clearly spelled out and written as to: “*avoid misunderstandings*” and reinforce the company’s ethos through the “*one company, one way*” principle (Odetta, A&S); to have a framework that ensures compliance with company’s values (e.g. Agika Code); as well as to “eliminate non-conformity” in subsidiaries (from Maazan annual report). From the point of view of the local managers, in all cases, the use of written strategies is seen as typical practice of the HQs (“*This is the company policy*”, Maria - Agika) or even as an ‘*imposition*’ from the HQs (Paolo, KAIG). A consistent pattern in the HQs’ narrative is that having written strategies seems to be quite natural, as both in verbal and written communications it came out as an ‘inbuilt’ important strategic way of disseminating the company’s values and goals. On the other hand, a consistent pattern in the local managers’ narrative is that they perceive the presence of detailed, written strategies in most HR areas as something that departs from the local norms since this explicitness is seen as an oddity (“*they (the Finnish) provide **very detailed** (emphasising tone) and comprehensive documents*”, Maria, Agika) and surely as something that comes from the top (“*imposed*”, Paolo, KAIG). Even in the case of Mazaan, where- according to the company’s documentation- the written communication/strategy system is still not fully implemented- Franco listed the presence of written strategy as one of the typical Finnish traits ‘*exported*’ to the Italian operation. We might conclude that the presence of written strategies in Finnish MNCs in Italy is more in line with the Finnish *modus operandi* than to the Italian.

This is consistent with the results of the survey, which indicated that (except for a few HR areas such as diversity management and management development) written strategies in Finnish subsidiaries in Italy are more widely used than in local Italian

organisations. This is also consistent with research proposition 2a and with the cultural theories advanced by Hall and Hall (1990, 1995) and Copeland and Griggs (1986) whereby a 'low-context- communication country such as Finland recurs to more explicit channels of communication. Hence a *country-of-origin effect* can be observed in this area.

#### **5.2.5.2 An analysis of R&S policies and practices**

Main points of difference presented in chapter 4 that could be related to national country's preference in the area of recruitment were the widespread use of newspaper advertising in Finland, but not in Italy, and the use of internal recruitment for managers being widely used in Italy and not in Finland. In the area of selection, both countries use one-to-one interviews and application forms as preferred methods but while the Finnish also make extensive use of references and panel interviews for managers and professional candidates, neither of these two methods resulted popular in Italy.

From the analysis of case study data, it emerged that in Finnish subsidiaries in Italy the use of newspaper advertising is reported only by A&S, while the other 3 firms rely on more 'informal' channels of recruitment, such as word of mouth (all three); use of internal database of spontaneous applications (Mazaan); use of school graduates (KAIG); internal retraining and redeployment (Agika), especially in the current climate, where the company has gone through a period of downsizing through redundancies and recruitment freeze (e.g. "Ready to grow" programme).

In company documentation no specific mention is made of preferred methods of recruitment, as long as the best resources are attracted, in one of KAIG communications, mention is made of the saying "When in Rome, do as the Romans,

especially when it comes to choosing the right people for the local units”. Odetta (A&S) explained that A&S makes use of newspaper advertising as the positions that they open in Italy are directed at highly qualified designers, who are not very easy to come by just by using word of mouth. From the local managers’ perspective, using personal connections to attract new recruits is a cheaper alternative, especially in the case of blue collar employees (Agika’s factory workers and Mazaan’s sales representatives); while different techniques might be more advantageous than newspaper advertising when specific technical skills and expertise as required (as in the case of the technical engineers in KAIG). Local management did not feel any pressure to conform to HQs’ directives, and all of them felt that they enjoyed quite a lot of discretion on recruitment matters, except when it comes to recruiting managers. This delegated autonomy, together with *“greater knowledge of our labour market and the help of external consultancies, who do a first screening and then propose only a rose of candidates for us to interview”* (Paolo, KAIG) might explain the localisation of recruitment practices. All HQs’ global HR manager (Odetta and Markus) confirmed that R&S activities were delegated almost completely to the local MDs (sometimes supported by local consultancies), with the exception of the creation of new posts and of all R&S activities that relate to managerial positions. In these cases the HQs take the lead.

Contrary to the Italian practice, only in Mazaan internal recruitment is the preferred option. Agika’s internal candidates will be considered, but all managerial posts are advertised at a European regional level. Both A&S and KAIG recruit their managers from the external labour market. This is not a surprising finding, as due to the size of both organisations (less than 10 employees), their choice is fairly limited. Odetta (A&S) stated that *“our internal pool of candidates in Italy is not sufficient for finding the competences needed, especially at managerial level”*; while Paolo (KAIG) explained that *“our employees make excellent technicians but would not make a good manager, as*

*if they have gained very good technical skills, they are not equipped with managerial know how”.*

Hence, it looks that **no country-of-origin** effect is felt in recruitment, as newspaper advertising has not proved very popular in  $\frac{3}{4}$  of the organisations and on the whole, recruitment seems to be quite localised; although differently from Italian practice (for various reasons, as explained earlier) little use of internal recruitment for managers is made. Nevertheless, the elucidations provided above explain that rather than a case of non-conformity with local practice, this choice might be dependent on organisational contingencies, i.e. size, as no intention not to use internal recruitment for managers has been reported.

When it comes to selecting new employees, all organisations make use of one-to-one interviews and application forms and, as in Finland, they all make use of panel interviews for managerial posts and three out of four make use of references. Odetta (A&S) explained that a reference check is a very important part of the selection process and she could not see why it should not have been used. Agika and Mazaan local managers reported that they are ‘required to’ do a reference check on candidates by the HQs, while only in KAIG, references are not used. Paolo (KAIG) explained that since their candidates are already recommended by the school and have no work experience, references are unnecessary.

The use of panel interviews for managers might be explained by the fact that R&S for managerial positions is entirely in the hands of the Finns, hence they just use their own policies and practices; with the only difference that local managers are also invited to be part of the panel (where applicable). Hence, if recruitment is quite localised, in selection **a country-of-origin** effect can be observed.



This result is consistent with the survey results. In 5.1.3, it had been argued that this interesting result might have been explained by the fact that recruitment is often delegated to external agencies and these may follow the local practice and that local managers are more knowledgeable of the Italian labour market; while selection, especially for managerial positions might require a greater involvement from the HQs, who might want to use their own tried and tested methods. The fact that references are requested might also be explained by the fact that written policies proceeding from the HQs exist in the area of R&S and they might specifically request that a reference check is carried out. The analysis of the case study data has confirmed earlier speculations, although in the case of recruitment, whether or not external agencies are used, all organisations declared that they had plenty of leeway in the choice of methods and hence followed what they deemed to be the most appropriate (and which are unsurprisingly, the ones which are most widely used in the local context). Also, as already stated, all HQ's HR managers were in agreement that R&S should be delegated to the locals, the rationale for this is that *"they know the local labour market best and they can align the practices so that they follow the local legislation"* (Markus, Mazaan).

Proposition 2c, can only be partially confirmed; as if a country-of-origin effect can be seen in selection preferences for managers and in the use of references for all candidates, no country-of-origin effect was observed in recruitment methods.

#### **5.2.5.3 An analysis of flexibility policies and practices**

In all the observed companies, a common pattern that became evident in the area of **'flexibility'** (in the specific form of FWAs) is that this is very sparingly used. From the discussion with the local managers it emerged that *"it has not been requested"* (Maria,

Agika; Franco, Mazaan) by the employees and that “*no need for it*” has been felt/acknowledged by the employees (Odetta, A&S). The lack of FWAs has also been related to the size of the organisations, as it might not be easy to allow employees to work flexibly when there are just very few of them (Paolo, KAIG).

On this occasion, the argument proposed by the HQs HR managers interviewed was very similar to the argument advanced by local Italian managers, the size of the local operations being a determining variable. No specific reference to flexibility policies that brings forward a different line of thoughts was found in the documentation or annual reports of either of the companies. The lack of written strategies in this area had already been acknowledged in previous sections of this dissertation, hence this doesn’t come as a surprise.

On the whole, there seems to be a convergence of views between the HQs’ HR managers interviewed and local management, as all are aware of the lack of flexibility offered, and they seem to imply that this was partly due to either the fact that “it had not been requested” or to the size of the firm. It looks as if the use of FWAs is thought to be more dependent on ‘local’ needs (of the firm and of the employees) and on contextual factors such as size. The Italian managers even sounded surprised when the interviewer was investigating the reasons why no more FWAs were used and two of the respondents took on a defensive tone (Franco, Mazaan; Paolo, KAIG), as if the researcher was expecting to find in their companies much more than what should be expected. From the ‘vagueness’ of the explanations given and from the hesitating tone of all of the respondents when answering this question; it seems that local MDs could not really explain why no more FWAs were used. We might conjecture that, as in this respect the subsidiary is behaving like any other local organisation, the lack of flexible arrangements is ‘taken for granted’ and unquestioned.

The influence of the Italian institutional background, which is still based on ‘traditional’ management practices that are proving hard to modernise, and the influence of the Italian cultural background, characterised by a high masculinity (Hofstede, 2001) still exert a strong influence on employees’ expectations, and it might very well be plausible that no applications for greater flexibility have been advanced.

The results of the interviews have confirmed the results of the survey, where it was concluded that flexibility is still at its earliest dawn in Finnish subsidiaries in Italy; therefore the more employee-friendly FWAs of the feminine and more modern Finland have not made their way to Italy and *no country-of-origin effect* could be observed (proposition 2e).

#### **5.2.5.4 An analysis of T&D policies and practices**

The two aspects of **T&D** that are more closely related to cultural and institutional contexts (as postulated by the CRANET researchers) are the extent to which training offered to different categories of employees varies and the level of participation of the employee in the determination of training needs. In one of the studied organisations (Agika) the respondent stated that the same amount of training is offered to all categories of employees, although a review of company documentation indicated that two new development programmes (‘B’ and ‘C’) aimed at increasing the amount of training that managers receive have been recently introduced; hence we do expect that the figure provided by the respondent will be subject to variation. In 2013 Agika started to conduct a leadership assessment of circa 200 managers as a basis for the implementation of individualised leadership development training that is set to start in the very near future. In “A&S extra opportunities for management development are

provided”, although nor the HR manager or company documentation were able to give explicit details of the extra initiatives in place. In Mazaan a big divide between the amount of training days offered to managers (10) versus administrative personnel (2) exists, and a new training strategy is being introduced that keeps faith to its commitment to the development of ‘leadership skills’, while this time it is also aiming at broadening the skills of manual workers. In KAIG, the local MD acknowledged that “in normal times” more training was offered to management (i.e. himself), while in the current economic climate of recession training is very scarce for all and only offered in case of real need.

Two different narratives can be identified here too. Offering more training to managers is seen as a ‘normal’ practice by HQs and is included in company’s documentation and annual reports (A&S; Agika; Mazaan), although no mention to the use of specific guidelines on training was made by any of the global HR managers. Nevertheless, the locals have decided to follow the HQs’ example, possibly because in their eyes it was a welcome change. Franco (Mazaan) listed it as a typical Finnish organisational trait and expressed his surprise at the fact that although training for administrative and manual employees had been ‘cut’ in recent times due to the unstable financial climate, managers were still offered a good amount of development opportunities. In the case of Paolo (KAIG), a note of ‘resentment’ was felt in his assertions, as he stated that “*they [the Finnish] got me used to receive a considerable breadth of training (I was even sent to the HQs a few times to complete development programmes and an MBA) that now I can’t help to look for more interesting training courses, only that there is no funding left and, whenever I do that, I need to pay for them myself*”. When the researcher asked if the choice of words “got me used” meant that he generally had not received as much training in previous workplaces (the respondent had worked in a very similar position,

in the same sector, in an Italian organisation for many years prior to accepting his post at KAIG), Paolo agreed and explained that he had never been offered as much training as what he had received at KAIG in the pre-recession years.

Offering more training opportunities to managers is indeed a by-product of the Finnish institutional profile; as Nikandrou et al. (2008) argued, in Finland less skill gaps than in Italy exist, hence there is less need to train blue collar employees and more need to develop managerial skills (Georgen et al, 2009; Amable, 2003). The same does not hold true in Italy, where a ‘dysfunctional’ educational system (with a very poor vocational system) focuses on general education rather than on the development of specific work-related skills, therefore a greater need to train all categories of employees is often felt by organisations (Boldizzoni, 1990; Ballarino and Cecchi, 2013). The tendency of offering more training to managers even in Italian companies (when the economic conditions allow it) is hence representative of a country-of-origin effect.

One might conjecture that the inclusion in the new Agika training policy of a specific plan to ‘broaden the skills of manual worker’ could be proceeding from a realisation that blue collar employees in Italy are not so well prepared for work as they are in Finland and a review of their standard practice need to be undertaken.

In all organisations the participation of the employee is encouraged as Maria (Agika) explained: “*Considering employee request for training is the policy of the mother company*” and in the documentation of all companies a mention on the importance of including employees in the determination of their own training needs was found. This is in fact representative of the lower PD score (Wilkins, 2001) and of the higher femininity of Finland. The more hierarchical and masculine Italy is not too prone/used to elicit employee participation (Hofstede, 2001). The Italian managers interviewed did

comment on this by stating: “*it makes sense but it is more time consuming*” (Maria, Agika) and: “*it’s a good thing there’s only 5 of us here!*” (Paolo, KAIG).

The two narratives that emerge in the case of T&D policies and practices see: on the one hand, the HQs from all the case study companies who claim unanimously that T&D is delegated to the local MDs and that they have lots of space of manoeuvre but at the same time share with local managers a number of company policies (memos and communications) where it is clearly stated that providing extra training opportunities for managers is important and that employees should be included in the training needs analysis process; while on the other hand, Italian managers are quite surprised (positively; e.g. Mazaan/KAIG) at the amount of training opportunities offered and also surprised by the extent of employee participation, which is seen as a good idea in principle, but of difficult implementation, maybe implying that no specific guidelines on how to so in an efficient way are provided.

Also in the case of T&D, survey findings can be largely confirmed, as both a tendency (although not too marked) to offer more training to managers and to listen to the employee request for training can be seen as evidence of *country-of-origin effect* (proposition 2d).

#### **5.2.5.5 An analysis of Performance Management policies and practices**

When analysing the area of **Performance Management**, one of the discriminatory aspects between Finland and Italy relates to the use of appraisal systems across all categories of employees; while another difference lies in the variety of the parties involved in the process itself (Brewster, 2011).

Of the four case study organisations, only two (A&S and KAIG) have got in place solid appraisal systems that include the whole workforce. On the other hand, both in Agika and Mazaan the appraisal process is being restructured and only some categories of employees are being appraised for the time being.

In A&S the performance of the entire workforce *“is reviewed by the regional controller and the system manager, together with the employee”*, indicating an involvement of both the immediate and the next level supervisors. Employees are involved *“as this is common practice in our organisation and is seen as a logical choice”*. Colleagues’ and customers’ input is not requested since *“it may not sit well with the Mediterranean culture as it might lead to loss of face”* (Odetta, corporate HR manager).

In KAIG, all employees are regularly appraised through *“two or three review meetings every year. During these meetings performance is assessed and new goals are set”* (Paolo, local MD). When asked to explain how goals are set/reviewed, the same respondent elaborated: *“We have a process of ‘matrix goal discussion’, whereby general goals and performance are discussed between employees and MD, while technical goals are reviewed and set between technicians and the Finnish technical assistance manager”*. Hence, the employee, the MD and a technical supervisor participate in the appraisal meeting, *“this is the company policy”*.

Agika documentation indicated that the performance management process is currently under review. A new “Global Performance Management Process” is set to include all employees worldwide by end of 2014. Presently, *“all permanent white collar employees are covered by global performance and development discussion process, while blue collar employees have been covered only partly in similar processes, managed locally”* (Agika’s annual report). The interviewee, Maria, explained that in Italy appraisal systems are in place for most categories of employees. In Italy (and everywhere in the

company), the performance of the employees is assessed with the use of corporate guidelines and a standard document (PDD) provided by the HQs. The supervisor and the MD set three annual objectives for each employee and these are added to a series of organisational objectives set at company level. Guidelines encourage employee participation in this process. A bi-annual review between employees and supervisors will follow and the outcome is recorded in an online document that will be accessible via the company intranet. The whole appraisal process is finally reviewed by the regional HR manager, through the intranet and any irregularities and problems will be addressed. A typical trait of Italian companies here was reported, as of the 15 professional posts in the administrative centre, 10 of them have been appointed to supervisory levels; hence  $\frac{3}{4}$  of these “quadri” (Italian professionals) set their own objectives!

Parties involved in the appraisal process are always the immediate supervisor; the next-level supervisor and the employee; colleagues and customers are not involved as *“employees in Italy would be reluctant to be judged openly by peers and customers. I don’t think it would go down very well”* (Maria, Agika).

Also in Mazaan, the company’s appraisal system *“is being (re)structured. At the moment Mazaan Italy only appraises salesmen. Appraisal is used as a tool to understand what salesmen think and to communicate to them the directives that come from the HQs.”* (Franco, local manager). According to company documentation, HQS has/intends to set overall quality goals through systematic targeting, gauging and follow-up (currently these processes are being improved). Mazaan HQs are also in the process of establishing a multi-site 'cross-audit' where individuals from one subsidiary will go and assess another subsidiary. Employees, the supervisor and the next-level supervisor participate in the appraisal meeting, as this is a company requirement.



*“Salesmen need to actively participate in the process as it is important that they have understood what are the company’s expectations and because they are generally offered a performance-related bonus”* (Franco, Mazaan).

From the above analysis, we can draw two main concluding remarks: 1) only half of the case study organisations use appraisals for all categories of employees, hence our sample very closely matches the result of the survey, where 56% of firms were appraising all employees and confirms a greater similarity to the Finnish rather than to the Italian reality; 2) all companies involve their supervisors, next level supervisors (or technical managers) and employees in the process.

The first remark can be seen as evidence of a country-of-origin effect, as if most Italian organisations use appraisals for all categories of employees, the fact that in both Agika and Mazaan this does not happen (and the fact that this does not happen because the HQs are restructuring the appraisal system) indicate that appraisal is co-ordinated by the HQs and the lack of focus on appraising all employees has filtered through to the Italian operations.

The second remark points to a higher employee involvement in appraisals. This could happen either because it is seen as a *“logical choice”* (Odetta, A&S), or because it’s seen as a way for employees to *“understand the company’s expectations”* in the area of sales and being aware of what is required of them in order to receive a performance relate bonus (Franco, Mazaan); but mostly, as three out of four of the respondents stated, it is a practice/requirement of the HQs: e.g. *“it is common practice in our organisation”* (Odetta, A&S); *“it is the company policy”* (Paolo, KAIG) and *“employees’ participation is highly encouraged”* (company documentation, Agika). No subordinates,

peers or customers are consulted. This finding again mirrors the result of the survey and indicates a preference for reproducing Finnish management practices, which are 'legitimate' in Finland as strictly related to two of Hofstede's (2001) cultural dimensions, namely PD (less top-down control leads to less formalised appraisals and a more egalitarian approach that includes employees) and femininity (less focus on targets and more focus on quality of the environment). The main difference here is that while in Finland more parties (such as subordinates, peer and customers) may be involved, this is not the case in Italy. This was partly explained by Odetta (A&S) when she explains that asking for colleagues' and customers' input "*may not sit well with the Mediterranean culture as it might lead to loss of face*" and by Maria (Agika): "*employees in Italy would be reluctant to be judged openly by peers and customers. I don't think it would go down very well*".

Here, again, the two narratives, HQs versus local perspectives can be acknowledged. Global HR managers explained that inclusiveness of employees in performance is a "common practice" in their organisations (Odetta, A&S), they also claim that it is not directly 'enforced' to their units: "*we involve our employees in Finland, as it is customary to do so here, but the Italians can choose to do what they see fit*" (Markus, HQs HR manager, Mazaan). On the other hand, 'the Italians' feel that 'inclusiveness' is a company policy and hence they have to put it into practice, although they do 'adjust it' so that it fits with the local culture.

Hence, if a **country-of-origin** effect can be observed in the extent of use of the appraisal system, a **country-of-origin with a 'twist'** can be observed in the case of the parties involved in the appraisal. The same results were obtained in the survey and it was earlier discussed that this hybrid approach might have either indicated a

convergence towards Anglo-Saxon models of best practice (where only managers and appraisees are involved) or to an “Italianisation” of Finnish practices. Statements made by the case study interviewees rather point toward the latter explanation, it looks as if Finnish practices have been adapted to suit the local context, taking into account local cultural preferences and an ‘integrated’ approach has been chosen, that takes into account both country-of-origin preferences and local context.

#### **5.2.5.6 An analysis of Pay and Incentives policies and practices**

In the case of **Pay and Incentives**, all the case study companies have declared that these are delegated *in toto* to the local managers, who follow the national/collective contracts for the sector for most of the employees (in some cases with the addition of a ‘*superminimo*’, additional monthly allowance over the minimum salary (Franco, Mazaan) or Performance related pay bonuses (all companies)); while pay is individualised for managers. Except for one case (Mazaan) pay is managed by external consultancies. According to expectations based on existing literature (e.g. Rosenzweig and Nohria, 1994) pay is normally the most ‘localised’ HR area. Benefits and incentives are also established at local level, after benchmarking with local companies, and do not seem to replicate the models used in Finland, as only A&S reported the use of employee share options just for managers and of profit-sharing for all employees. All other companies use neither.

When looking to identify a HQs’ narrative, A&S corporate HR manager, Odetta’s words can be quoted, as she explained that: *“Job grading and salary scales are delegated to the local MD... A good level of autonomy is left to the MD on this area, who acts with the support of an external consultancy. This guarantees compliance with national requirements and a benchmarking with other local firms... We use profit-*

*sharing because it works well to motivate our employees.*” Otherwise, company “benefit programs differ by regional and country specific market practices” (Agika’s documentation) and more closely follow the national/sector regulations. Hence from the perspective of the PC it makes sense to follow the local rules in this area. Markus (Mazaan) talked about an intention to implement some new guidelines that try to *“harmonise remuneration by establishing some common pay-grades and salary-levels”* but also emphasised the importance of complying with the local systems (legal and accepted norms) and that surely local management knew best.

If PC managers think that their delegation to local MDs is a strategic choice; in three cases (Agika, Mazaan and KAIG) local respondents commented that Finns might rather delegate pay and benefits to them as they do not seem to understand the underlying logic of the ‘subjectivity’ often used in Italy when allocating pay and benefits and hence prefer not to interfere.

Notwithstanding, *“the approval of the HQs is always needed”* (Odetta, A&S;Franco, Mazaan; Paolo, KAIG) when establishing a new remunerative package. As Mazaan, also Agika had plans for 2013 to implement an ‘overarching’ *global* job structure, linked to job grades; salary range and incentive opportunity that can guide decisions made at local level.

To conclude, the results of the survey can be validated as interviewees confirmed that pay and incentive follow the ‘local ways’. **No country-of-origin could be observed here** (proposition 2c).

#### 5.2.5.7 An analysis of ER and Communication policies and practices

Differences in **ER** were analysed with two set parameters: a) the presence and role/influence of TUs (and relative union membership percentages) and b) the presence and role/influence of Works Councils. None of the observed organisations had Works Councils and only 2 out of 4 worked with a TU (KAIG and Agika). The MD at KAIG explicated that even if they had a TU representative, his role was more symbolic than operational; while Maria (Agika) explained that only one TU (CGIL) was present and only in the factory site, where employees are low skilled and work shifts; membership levels are quite low (less than 10%) and no conflicts have ever been reported; hence the role of the TU is quite low key.

When enquiring about the reasons for either not having Works Councils or TUs or for having non-influential, non-active TUs, the following answers were reported: “[the Italian unit]...*is a very small, non-conflictual, smooth running reality*” (Odetta, A&S); “*the company is quite small and operates like a family*” (Franco, Mazaan); “*ain’t nobody here but us chicken*” (Paolo, KAIG). The modus operandi in ER seems to be more subject to contextual variables such as size and sector (only bigger TUs was in a factory) than to the influence of country-of-origin, which in this case was not observed.

Again, the case study analysis confirms the survey data (**no country-of-origin** was observed there either) and expand them as some justifications for the company’s behaviour in ER has been provided. This insight helps to discard both proposition 2g and also the proposition that lack of TUs and Works Councils might have pointed towards a convergence to Anglo-Saxon best models of HRM.

**Communication** assumes greater or smaller weight in different countries and channels and flow of information sharing can also present considerable variation. For the purpose of the current discussion, it is interesting to explore which company information (organisational strategy, financial performance and work organisation) are communicated/not communicated to which group of employees (manual, clerical, professionals, managers). In all case study organisations all groups of employees are briefed on all company areas. In Agika, company documentation states that they: “initiated an active dialogue across all our segments and regions, top-down and bottom-up, which was accomplished through various local and virtual workshops” while “at individual level, the strategy roll-out was done via personal development discussions.”

A biannual survey called ‘Views’ was also recently launched with the aim of “gathering employee feedback and further develop our ways of working accordingly” as well as in an attempt to improve bottom-up communication. In KAIG, all employees are informed as “*there is so few of us that we work very closely together and share all information that we have*” (Paolo). Furthermore, both company documentation and the Italian MD praised the virtues of the ‘Share your ideas’ programme, a ‘bottom-up’ communication mechanism, an online open system, where anybody can share ideas with other employees, both from the HQs and from other subsidiaries. “*The HQs then take the time to look at these ideas and often move some of them into the implementation stage*” (Paolo).

In both A&S and Mazaan less sophisticated channels are used: “*Communication with the workforce happens verbally through individual or team meetings and via email*” (Odetta, A&S) and “*communication happens mainly verbally through staff meetings*” (Franco, Mazaan).

Looking at the HQs' perspective, which comes through in the words of the global HR managers but also via the documentation examined for all four case study companies, inclusivity in communication and good communication channels/mechanisms are considered as strategic for organisational performance and should be in place in all subsidiaries: *"It is very important to keep our employees in the loop of what goes on in our company, good communication also means that we can share the company's values"* (Odetta, A&S) and *"Two way communication helps us to fine-tune our strategies and to gain commitment from the locals"* (Markus, Mazaan). The local managers' take on these 'Finnish' guidelines is one of appreciation, as complimentary remarks were made by all the local managers interviewed, who appreciated the opportunity to be kept informed as well as to share their own ideas with others, something that in Italy 'doesn't happen very often' (Franco, Mazaan; Paolo, KAIG).

According to proposition 2f, the great involvement of all employees in the communication process is representative of a country-of-origin effect. Unfortunately, in this case the triangulation between survey and case study findings yields conflicting results, as only 50% of surveyed organisations have some sort of formal communication mechanism in place for manual staff and if Finnish subsidiaries are happy in nearly all cases to disseminate information on organisational strategy, financial performance and work organisation with managers and professional staff, administrative staff and manual staff are included in the communication loop only in 41% and 17% of cases respectively, hence our analysis remains inconclusive.

#### **5.2.6 A greater insight into the meaning of the data.**

Differences among case study companies in terms of country-of-origin effect in specific HR policies are not very marked. Despite their differences in sector, age, size and roles,

very similar answers and no deviant cases were reported. Occasionally, and only in one or two HR areas one company might behave differently, but on the whole, similarities of responses across cases are striking. An illustration is provided in the following table:

**Table 23- An illustration of country-of-origin effect in case study companies by HR area**

HR policies/ practices	A&S	AGIKA	MAZAAN	KAIG
Written Strategy c-o-o.	Most areas ✓	Most areas ✓	Most areas ✓	<Some areas ✗
R&S c-o-o  c-o-o	Newspaper advs. No internal Recruit for managers ✗ Panels for managers References ✓	No newspaper advs. No internal Recruit for managers ✗ Panels for managers References ✓	No newspaper advs Internal Recruit for managers ✗ Panels for managers References ✓	No newspaper advs. No internal Recruit for managers ✗ Panels for managers No References Partly Partly
Flexibility c-o-o	Little flexibility ✓	Little flexibility ✓	Little flexibility ✓	Little flexibility ✓
T&D c-o-o  c-o-o	Extra for managers ✓  Employees involved ✓	No extra for managers ✗  Employees involved ✓	Extra for managers ✓  Employees involved ✓	Extra for managers (not now!) ✓ Employees involved ✓
Appraisals c-o-o= ✓ (for trend)  c-o-o	All categories  Supervisors and employees involved ✓	Some employees  Supervisors and employees involved ✓	Only salesman  Supervisors and employees involved ✓	All categories  Supervisors and employees involved ✓
Pay and Incentives c-o-o	No share options/ profit-sharing ✗	No share options/ profit-sharing ✗	No share options/ profit-sharing ✗	No share options/ profit-sharing ✗
ER c-o-o	No TUs/No WCs ✗	1 TU/No WCs ✗	No TUs/No WCs ✗	1TU (non active)/No WCs ✗
Communi- cation c-o-o	All briefed on everything ✓	All briefed on everything ✓	All briefed on everything ✓	All briefed on everything ✓

*\*Here c-o-o stands for country-of-origin effect.*

Information provided during the interviews have confirmed many of the findings of the survey: all companies make use of written strategies in most HR areas (and in all cases



this is a requirement of the HQs); employees' view are taken into consideration when organising training intervention; in appraisals, 'appraisees' are involved but not colleagues or customers (this was in two cases explained with reference to cultural differences); evidence was also found that remuneration and incentives are generally established at local level, in compliance with local legislation; often with the help of external consultancies or after benchmarking with local companies. It was also confirmed that E.R. do not play a strong role as most of these organisations either do not have a TU (and/or Works Councils) or have had no IR disputes; this seems related to the size of the organisations (*"ain't nobody here but us chickens!"*) and to the nature/organisation of work: the only company with a TU is the only manufacturing plant in the sample that has a higher number of employees (circa 50) and makes use of shift-work. The other firms that have a very small workforce and no factory work or shift work did not feel they needed to think about ER. Little flexibility is offered to employees and no requests for more flexibility came from the local employees, no specific guidelines on flexibility came from the HQs either.

Besides confirming the survey findings, the role of the interviews was to produce new insight and add 'richness' to the data with a view to enrich existing knowledge.

Analysing more closely the extent to which some HR practices were 'transferred' into Italy, it emerges that the 'Finnish effect' is mainly related to the **greater involvement of the employees** (in appraisals, T&D and communication); **a greater level of formality in selection**, manifested through the request of references; **a higher presence of written strategies and the direct management of managerial positions** (hence the difference in selection methods for managerial positions, the greater amount of training offered to managers and some variation in the remuneration policies adopted for these

higher positions). *Greater employee involvement had already been discussed in the literature review (chapter 2) and in the analysis of secondary data (chapter 4) as a typical trait of Finnish organisations and it is strongly associated to both Finnish cultural values* (belonging to the “well-oiled machine cluster” with relatively low PD and moderate UA and displaying high femininity(Hofstede, 2001)) *and institutional influences* (Couch’s (1993) ‘Nordic’ model is depicted as being more egalitarian, favouring employee participation (Calori and De Woot, 1994); Whitley (1999) ‘Collaborative’ model also talks about a more collaborative approach and higher negotiation between parties). Employee participation is not common in Italy (due to higher PD scores and low femininity and to the less modernised capitalist structures) hence a **clear relationship between greater employee involvement in Italian subsidiaries of Finnish MNCs and country-of-origin effect can be established.**

The preference for the **use of more written strategies and more formal processes** can also be attributed to Finnish cultural values (more explicit, low-context channels of communication are preferred (Hall and Hall, 1990)) and to institutional influences (with Nordic capitalist regimes making use of more extensive regulations of employment, (Crouch, 1993). **A clear country-of-origin effect can be therefore confirmed.**

The country-of-origin effect reported in some other HR areas (e.g management selection and training and compensation offered to managers) is different in some respects as it is not a matter of ‘transfer’ of practices, but rather of ‘direct management’ of these practices. If the local managers have autonomy in many aspects of HRM, managerial positions are overseen by the global HR managers from the HQs, e.g. “*When it comes to the management of senior/managerial employees, we take the lead*” (Odetta, A&S). Odetta’s position is also taken by Markus (Mazaan):“*We select and keep direct*

*responsibility for overseeing the development and performance review of our Italian managers*, and Italian MDs all agree that this is indeed the case “*I have plenty of autonomy in the management of HR, only senior posts are managed directly by the Finns from the HQs*” (Paolo, KAIG). This might be reflective of the chosen internationalisation strategy (regio/poly-centric), that while allowing plenty of autonomy to local managers retains the management of strategic positions. On the whole, it may be concluded that **Finnish practices are adopted and a country-of-origin effect is observable**.

The aim of the current thesis is to understand if a country-of-origin exists, and we have collected enough evidence to safely assert that it is present in some areas (as above) and not in others (recruitment, flexibility; pay and incentives and ER) and some specific case-by-case explanations as to per why this happens have been provided during the initial analysis, however the reasons why some ‘Finnish’ practices have been transferred while some other practices (*equally reflective of the Finnish cultural and institutional background*) have not been transferred have not yet been fully explored.

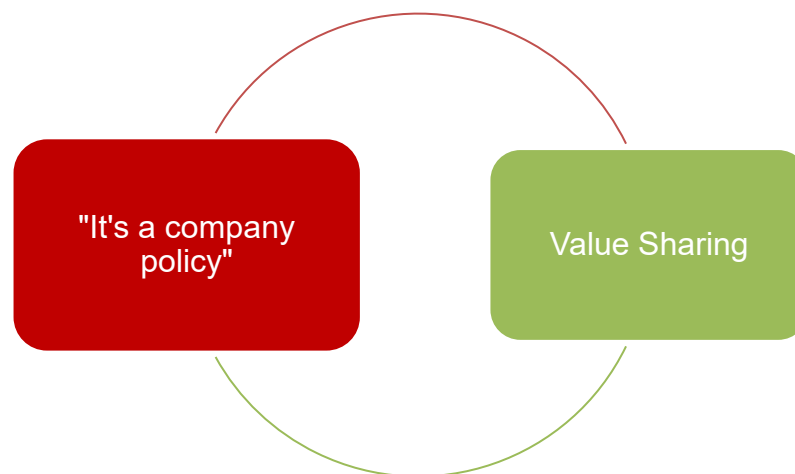
One way to search for more in-depth explanation is to carry out a ‘categorical aggregation’ to see whether a collection of significant instances from the data can help issue-relevant meanings/themes to emerge (Creswell, 2009).

#### **5.2.7 Why some Finnish HR practices have been transferred, while others haven’t.**

Data was searched for new evidence that could shed more light on what reasons/factors lay behind the choices for transferring or not transferring Finnish typical practices in Italian subsidiaries. Whenever HR practices seemed to be a replica of the PC’s (indicating a country-of-origin effect), respondents were asked what was, to their

opinion, the reason for the local adoption of those particular practices. Likewise, company documentation was searched to see if there was anything in the HQs' written material that requested that those specific practices were adopted and eventually of any arguments offered in support of this choice. A few recurrent statements emerged, and these have been chosen as initial nodes of analysis (see figure below):

**Figure 25- Two emerging nodes: Why are practices similar to the HQs' used?**



In various interview notes, the author counted some 12 recurrences in various occasions and in different companies of the justification, ‘we have to do it this way because “**it’ a company policy**” (or ‘it’s common practice in our company’ or ‘it’s the company’s guidelines’), referring to the fact that it is the ‘company way’ and hence it was presented as matter of practices which are long established in the organisation and are maintained in their foreign operations through the establishment of clear guidelines. At times, explanations given by the local managers indicated a more ‘active’ decision-making process on the part of the HQs, who ‘imposed’/ ‘need to approve’/ ‘determine’ local practice. Other times, and according to the global HR managers’ explanations (and excluding management of senior personnel) no ‘impositions’ come from the HQs, choices are made as a consequence of “**Value sharing**”. Global HR managers argue that local managers are given plenty of leeway and autonomy in the determination of the HR

practices that best suit their local unit; nevertheless “*their choices have to be consistent with the global HR strategy that we discuss during our meetings and with the vision of the organisation*” (Markus, Mazaan). The ‘vision’, strategic plans and values of the organisation “*can be found in our website and will be communicated via training session and in induction sessions for new employees and local managers have to commit to these*” (Markus, Mazaan). It might look as if rather than ‘imposing’ directives, global HR managers feel that they guide HR choices by ‘**sharing values**’ and inviting local managers to behave accordingly.

A few illustrative examples will be provided hereafter:

Odetta (A&S):

(re. written strategies): “All HR strategies are **determined** by the HQs and are not geographically defined. *They are communicated (normally in a written form) to all local managers in all subsidiaries. This avoids misunderstandings*”

(re. appraisal/training): “*it is **common practice** in our organisation to involve employees*”.

From A&S documentation:

(re. communication): “inclusivity in communication and good communication channels/mechanisms are considered strategic for organisational performance” (**value shared** with all subsidiaries through website and written communication).

From Maria, Agika:

(re. written strategies) Agika Italy makes use of written strategies and policies for most HR areas, as “***this is the company policy***”.

(re. Performance): **Finnish company guidelines are extended** to all subsidiaries in Europe (a common template sent by the HQs is used throughout). Country managers have the duty of implementing them.

From Agika’s documentation:

Agika **Code is shared** with all employees since the moment they join, knowing how the company operates and understanding its policies is emphasised in the induction programme and through regular town-hall meetings and training interventions. (\*Agika Code includes all major company policies and core values).

From Franco (Mazaan)

**Strategies for most HR areas “are established at company level”** (where by company the respondent referred to the HQs, sometimes in consultation with himself).

(re. communication) All categories of employees are informed of organisational strategy; financial performance and work organisation as **“this is the company policy”**.

From Mazaan’s documentation:

A document management system is in place and is currently being implemented to **provide more clearly written guidelines** for subsidiaries to follow.

From Markus (Mazaan)

*“two or three annual meetings take place between the global HR manager and the Italian manager and during these meetings, the strategic plans of the organization will be discussed and some **actions points will be agreed**. Local managers are then entrusted with the implementation of the relevant HR policies and practices at local level”*.

From Paolo (KAIG)

(re. Performance management): “the ‘matrix goal discussions’ **proceeds from clear company guidelines**”

(re. Communication) the ‘idea-challenge’ open system is **promoted and championed** by the organisation.

It emerges that these Finnish practices (written strategies; appraisals process; T&D and communication, use of references in selection) are used in Italy for a number of reasons:

a) they are well established company policies; b) their use is formalised in written strategies; c) they are communicated to the managers through ‘codes’ and management training (e.g. Agika); through example and training (e.g. KAIG) or value-sharing and training (Mazaan).

We can conclude from the above arguments that MNCs often ‘bring their practices/company policies with them in what looks like an attempt towards both *FORMALISATION and STANDARDISATION* towards practices that they normally use in their PC (and that Markus –Mazaan- called “our Finnish best practices”). In a few cases, reference to an intent to ‘*reduce non-conformity*’ in subsidiaries was explicitly

made, e.g. “Mazaan plans to implement more specific guidelines on T&D provision; performance management and salary scales” (Markus, Mazaan), while an attempt to standardise job grading and pay packages is currently being made by Agika.

Furthermore the fact that Italian practices often have to be ‘approved’ by the HQs points to a system of ‘surveillance’.

Looking into the meaning of the above assertions, ‘it’s a company policy’ can be a reflection of ‘direct impersonal control’ exerted by the HQs through *standardisation and formalisation* of policies and practices; the fact that practices are often ‘imposed’ or need to be ‘approved’ entails a more *direct surveillance* and the attempt to ‘reduce non-conformity’ through careful *planning* might indicate a way the HQs have to control their local units (Harzing and Sorge, 2003) without recurring to ‘personal direct control’. Two forms of indirect impersonal and personal control have also been identified: a) ‘*Value-sharing*’ through the *sharing of corporate culture*, that happens via regular meetings *and regular communication* and b) *international management training and induction of new employees*.

Hence, the nodes identified in the first search for explanations appear to be sub-nodes of a more all-encompassing theme: ‘Control’. While operating with a polycentric/regioncentric strategy, all companies appear to be using most of the controlling techniques described by Harzing and Sorge (2003, see 1.2.2), except ‘expatriate control’, as there are no expatriate in the top 5 jobs in any of the subsidiaries; all MDs are of Italian origin and as a matter of fact, there are no expatriates at all in the Italian operations, except one in KAIG (Bartlett and Ghoshal, 1989; Perlmutter, 1969). When the interviewer asked if the Finnish employee had been sent by the HQs, Paolo (KAIG) explained that it was rather due to circumstances: “*he had expressed a desire to*

*come to Italy for a working experience if a vacancy arose and when that happened, he fell in love with good food, good looking women and our 'aperitivo' culture and decided to stay", he has no delegated power.*

Nevertheless, the **internationalisation strategies** adopted also play a role in the use of PC's practices in Italy since, as it has been stated above, the HQs directly manage 'local strategic personnel' (e.g. selection and performance appraisal). If the choice of the aforementioned internationalisation strategies (region/polycentric) is normally thought to be negatively correlated to country-of-origin effect, in this study it emerged that it can also positively influence the effect and hence it will be considered as one of the 'motives', since evidence of its impact on HR practices used in Italy has been found: *"We select and keep direct responsibility for overseeing the development and performance review of our Italian managers"* (Markus- Mazaan) and Italian MDs all agree that this is indeed the case *"I have plenty of autonomy in the management of HR, only senior posts are managed directly by the Finns from the HQs"* (Paolo, KAIG), see 5.2.6). Hence even if the international strategy variable is already inherent in the 'control' versus 'autonomy' dichotomy illustrated in figure 28 (as it acts as both a moderator and motive of country-of-origin effect); it has also been listed more explicitly in the 'motives' section as its role in influencing specific HR policies and practices, besides having been clearly acknowledged by respondents, is often underestimated by the literature.

It has also appeared from the above discussion that, possibly in an attempt to control their subsidiaries, the Finns try to transfer their tried and tested (typical/best/embedded) HR practices into Italy. But why do some practices end up being adopted while others don't?



So far, the focus has been on the ‘transferred’ practices, while little has been said as to per why some other HR practices (e.g. recruitment; use of FWAs; remuneration; ER), which had also been identified as embedded in the cultural and institutional backgrounds of the PC and not common in Italy (hence a clear country-of-origin effect could have been identified) have not been ‘exported’ to Italy.

Again, a close analysis of the interview notes lead to the emergence of three new nodes:

- 1) “Locals know best”;
- 2) “Local rules have to be followed” (legislation, cultural preferences);
- 3) Contingent/universal variables: in the case of this group of companies, mainly size.

The fact that the Finns believe that in some areas the Italians are more knowledgeable about what are the best HR practices to follow indicate an appreciation of the differences in the *modus operandi* of the two Countries and is reflective of a ‘polycentric’ approach (“let the romans do it their way”). A recognition of the differences in local cultural and institutional/legal regimes is made more explicit in node 2, hence the two nodes are strictly inter-linked. Node 3 refers to a more universalistic factor that also has an impact on the suitability of the HR practices.

If the previous nodes were sub-nodes of ‘Control’; these new nodes can clearly be considered sub-nodes of “autonomy”. Autonomy, the other side of the control coin, is correlated to the use of more localised practices and rather leads to a HC effect.

Supporting evidence for this new theme is illustrated in the figure below:

Figure 26 - Three 'AUTONOMY' sub-nodes



The emergence of the control-autonomy themes is unsurprising, as the important role of the centralisation-localisation dichotomy had been amply discussed in chapter 1; what is added here is an examination of both the 'reasons for' and the 'moderators' of the country-of-origin effect *as perceived by the interviewees*. If the reasons for transferring 'typical Finnish practices' reflect different aspects of control (consciously or

unconsciously exerted by the HQs) and seem to be associated to the PC's belief that 'company policies and values' should be shared with their units (country-of-origin effect); PC's practices only make it to the Italian subsidiary if their implementation is not restricted by some moderating barriers, namely: a) *legal and institutional constraints*; b) *recognised cultural differences* and, c) *external contingencies*, such as size of the unit.

Another important point that needs to be made is that two different viewpoints have been captured when examining the answers of local managers versus those of global HR manager; these two perspectives constitute two different narratives and will be discussed hereafter.

If it true that all respondents agree that a great amount of autonomy in HRM is delegated to local managers (except for the management of senior positions), it is also true that they have a different view on the control exerted by the HQs. Global (HQs) HR managers have stated several times in their answers that they "do not impose any major constraints on the decision-making of the local managers" and that "local managers are under no pressure to adopt 'Finnish' practices"; while local managers feel 'pressured to do so'. Markus (Mazaan) commented that "*we do not impose any of our Finnish practices to our Italian operations. During our strategy and planning meetings we talk about our common objectives and then we all agree on the way forward...practises that we use in Finland are discussed but we do not enforce them*". All corporate HR managers stated that they trust the Italians and did not feel the need to have any direct personal mechanism of control in place to monitor their behaviour in HRM.

On the other hand, as discussed earlier, all Italian managers appreciate the operational autonomy that they enjoy but at the same time they perceive that they are being closely

controlled by the HQs, that some of the practices that they use are ‘imposed’ or ‘have to be approved’. Moreover, none of the three local managers interviewed felt trusted by the HQs. Evidently a mismatch in perception exists. Referring back to Birkinshaw et al.’s. (2000:234) argument (see 1.2.3), ‘perception gaps’ derive from the fact that HQs and subsidiary have different values and worldviews and their perceptions with regards to their respective roles might often be non-aligned. According to Kostova and Roth’s (2002) belief, the relational context that links a subsidiary to its HQs influences the way “pressures from a home country are interpreted and perceived by a foreign subsidiary” and, in this case, possibly due to different cultural values (Birkinshaw et al., 2000), the locals feel much more controlled and less trusted than what the global HR managers feel and as a response they might feel ‘obliged’ to follow the PC example (Kostova and Roth, 2002).

From the analysis of our data, the truth seem to lie somewhere in-between, as if it is true that no direct forms of personal control are used (e.g. use of expatriates or controllers from the HQs), it is also true that several other mechanisms of ‘indirect’ control have been reported (e.g diffusion of clear HR strategies, use of standard documents across site, request that local decision be approved before being implemented, adherence to company values). In one case, A&S HR manager had explained the importance of doing so with the concept of ‘organisational culture’. Without going into the domain of theories of organisational culture, the latter is generally defined as something ‘unique and distinctive’ about a company, that makes it different from other companies (Buchanan and Huczinski, 2011). An analysis of policies and practices used by the four companies (or even by the twelve companies) demonstrates that rather than representing a unique approach of A&S, HRM policies and practices used in the local unit are quite similar to those of the other Finnish operations; indicating that a country-of-origin effect

might be stronger than the organisational culture itself, or else that organisational culture itself might be shaped by a ‘nationality effect’.

If global HR managers share company strategies and values as well as Finnish HR practices with the local managers as a way to promote the importance of using good practices, the local managers feel the duty of implementing these practices whenever possible (whenever it doesn’t conflict with local regulation and whenever it is acceptable for local employees (e.g. pay) and for the ‘contingencies’ faced by the local firm, e.g. size). A speculation that can be made is that the higher level of PD in Italy makes the local managers more inclined to see recommendations as impositions but also that due to their mostly non-strategic role, subsidiary managers see themselves as hierarchically dependent on the PC and dependency is likely to bring on compliance (Kostova and Roth, 2002).

In the next paragraph, a more in-depth analysis of the relational context between HQs and subsidiaries will be provided.

#### **5.2.8. The relational context**

During the interviews respondents were asked about the relationship between HQs and subsidiaries. In the previous paragraph, two important concepts, namely trust and ‘perception gaps’ were introduced, below the two constructs will be further investigated.

One of the respondents (Paolo, KAIG) used the following words to comment on the relationship with the HQs: *“In the period between 2001 and 2008, when the financial situation was good, management was quite complimentary and less controlling. With*

*the current climate of economic recession, it's as if they didn't trust us anymore and have become much more controlling and aggressive",* this statement reinforces the belief that trust and control are inversely correlated, and it also appears that trust is not a stable construct, but that it is subject to variation, in this case the cause of the variation seems to be related to market instability. Similar statements were made by the other local managers. Maria (Agika) reported some tension created by the lack of trust *"Finns do not trust Italians very much, especially since the image of the country has been tainted by the meagre figure of political actors, such as Berlusconi"*; while the respondent Franco (Mazaan) highlighted: *"The Finns are quite distrustful, they do not believe in/trust the Italian system and this leads them to tighten their control and limit our local autonomy"*.

Evidence indicates that trust is also seen by the local respondents as one of the key factors that influence the control exercised by the HQs. Local managers attribute this presumed lack of trust to differences in national culture; e.g. *"they think we Italians are not transparent"* (Paolo, KAIG); *"Finns believe that our remuneration packages can be 'subjective' rather than fair"* (Franco, Mazaan)) and to the Italian political instability; and that this lack of trust has led to a tightening of control and to a limitation of their autonomy in 'local implementation'.

Surprisingly though, when the global HR managers were interviewed, neither of them expressed their distrust for the local managers. Markus (Mazaan) stated: *"we operate in 14 countries worldwide and there are other countries where trust might be an issue, but not in Italy"* and Odetta's word echoed Markus' answer *"Of all the different nationalities we deal with, we feel that Italians are amongst the trustworthy partners"*. Hence, rather than just a trust issue, we might clearly be faced with a 'perception gap'.

Global HR manager were all quite pleased and made satisfactory remarks about their relationship with their Italian subsidiaries, and neither of them had any problems to report (except for Markus – Mazaan- who ironically complained about the Italian inability to stick to deadlines and that a different notion of time exists in Italy). Odetta (A&S) also commented that: *“the relationship between HQs and the Italian subsidiary is mediated by the French and it is not problematic. A&S deals with other countries which are way more different and culturally/institutionally distant than Italy. In this context, the differences and problems we might experience in Italy are ‘peanuts’”*.

On the other hand, a number of other problems in the relationship between HQs and subsidiaries, problems that affect the way HRM is determined, were reported by the local managers. In three out of four cases the same concerns were voiced:

a) *communication problems;*

Maria (Agika) refers to: *“lots of misunderstandings, mainly due to misinterpretations linked to both the difficulties of communicating in a language that is not the first language of either party but also to different management styles altogether. This can obviously cause frustration for all”*. Paolo (KAIG) explained that: *“Problems may arise because Finns are often too direct and not very diplomatic. At times they sound aggressive, rude and even ill-mannered”*. This is in contrast with the high political nature (and high-context) of communication in Italy and can create tension.

b) *Finnish lack of understanding of the complexity of the Italian system*

*“The Italian situation is too much for the Finns to take in! Our system is too bureaucratised and based on networking and they tend to underestimate this and*

*sometimes advance unrealistic requests” (Paolo, KAIG). Franco’s view is in agreement as he stated: “Culture and bureaucracy make our country very complex. Finns struggle to understand this complexity and think that everything is clear and straightforward. Maybe the emphasis they place on two-way communication might be their way of making sense of this complexity, but it’s definitely not enough”. Maria (Agika) hinted to lack of transparency in the way things are carried out in Italy, “Finns do not understand why two people from the same background and job roles might be employed in different job grades and with substantial differences in remuneration, just because of subjective/personal reasons”.*

*c) economic recession*

All local managers complained about the economic climate and across the board they felt that their job security might be at risk, as they had all witnessed the various programs of restructuring/downsizing of their respective companies. Also, they felt more pressured to perform to prove the worth of their work. *“We are trying our best as we do not want to risk any more cuts” (Paolo, KAIG); “Many people have lost their jobs in the ‘fit-for growth’ phase, or have been redeployed. Now the relationship is not the same and the pressure to deliver is felt more strongly” (Maria, Agika).*

In two cases reference was made to:

*d) the Italian political situation*

Both Maria and Paolo made reference to the Italian political situation that, in their eyes, gives a bad impression of the Italians and affects trust: *“Finns do not trust Italians very much, especially since the image of the country has been tainted by the meagre figure of political actors, such as Berlusconi” (Maria, Agika).*



These problems are thought to be the underlying reason behind the lack of trust exhibited and ‘controlling’ behaviour of the Finns. Once again, it is important to emphasise that these problems have only been reported by the local managers, while no mention has been made by the global HR managers.

A few interesting points have emerged. In the eyes of the local managers, four variables seem to be key in defining the relationship between HQs and subsidiaries (and its effect on the extent of local autonomy versus centralised control):

1. trust (or lack of)
2. communication problems (lack of understanding) often due to
3. complexity (bureaucracy and informal networking systems) of the local context
4. Environmental factors; such as economic situation and political climate

If the unilateral reporting of these issues is quite surprising and might lead us to underplay their value, the fact that they appear in all the interviewees’ answers means that they are valid points and even if they do not seem to be seen/felt (in an explicit way) by the managers at the HQs; they will still be shaping the behaviour of the local managers, who are party to the relationship and ultimately are the ones who have to deal with the implementation of HR in their subsidiaries. Here again, it is a case of important perception gaps that will affect the relationship between the two parties.

If economic situation and political climate had already been factored in by other models of IHRM as PESTEL factors (e.g. Schuler et al, 2001; Budwar and Debrah, 2001); communication issues and complexity (Dawling and Welsh, 2004) may go under the umbrella of ‘cultural differences’ and ‘institutional differences’, also identified by

previous models (Schuler et al, 2001; Budhwar and Debrah, 2001), trust and perception gaps are often unaccounted for (or superficially dealt with) in many IHRM models.

Trust had already made an appearance in the ‘knowledge transfer’ literature, as Tsai and Ghoshal (1998) considered trust and shared vision as “manifestation of the relational dimensions of social capital” (p.471) and argued that trust greatly influences inter-unit knowledge sharing in MNCs. Nhapiet and Ghoshal (1998) had likewise argued that if a relation based on trust exists between HQs (as senders) and subsidiaries (as receivers) knowledge transfer and exchange is facilitated. Both Kostova and Roth (2002) and Bjorkman and Levik (2007) had stipulated that subsidiaries’ trust in HQs and identification with PC is positively associated with transfer of organisational practices. So far, to the researcher’s knowledge, no authors have explored the level of HQs’ management trust in local subsidiaries’ management and its influence on the transfer of HR policies and practices and in particular on country-of-origin effect.

Identification with the HQs is also an important relational variable to consider (Kostova and Roth, 2002). Despite the efforts made by the HQs to share values and enhance participation and commitment of the local units, the Italian local managers have shown no signs of ‘identification’ with the HQs; from the discussion points made earlier it rather looks as if there is a predominant ‘us’ and ‘them’ logic; where ‘them’ being the HQs are seen as controlling and patronising. If identification is thought to facilitate the transfer and adoption of PC’s policies and practices, in this study it has emerged that the opposite (lack of identification impedes the transfer) is not always true; especially when other important variables exert a strong pressure toward compliance with PC’s policies and practices.

Perception gaps were discussed by Birkinshaw and Hood (2000), see 1.2.3, and greater perception gaps were associated with higher HQs' control, with their study focusing on whether HQs trust their subsidiaries and the resulting extent of control exerted by the HQs. What is interesting in the behaviour of the Italian managers is that since they (the trustees) perceive the lack of trust from the part of the Finnish (the trustors), they feel subjected to a greater extent of control and a reduced autonomy than what apparently was intended by the trustors.

On the whole, the interplay between relational 'variables' and HRM is still under-explored and under-discussed. This study suggests that -in this context- subsidiaries perceive a lack of trust from the part of the PC (which is thought to depend on great cultural distance and on the worsening of the economic and political climate). This perceived lack of trust contributes to a (perceived?) increase of control and reduced local autonomy, hence to greater implementation of 'Finnish home-grown and trusted' HR policies and practices. The fact that lack of trust is only seen by the subsidiaries' managers and not by the global HR managers points to the existence of "perception gaps" in the relationship. This gap could also be responsible for the local companies' managers decision to follow more closely the HQs' guidelines, whenever possible, giving way to a stronger country-of-origin effect.

### **5.2.9 Revisiting Convergence versus Divergence.**

One of the aims of the present study was to investigate whether any evidence for convergence emerges from the data analysis. As per the survey findings summarised in table 19, a possible indication of convergence toward Anglo-Saxon best practices was observed in two areas: the involvement of just employees and managers/supervisors in appraisals (and not other third party, as it is customary in Finland) and the small

presence of TUs. These two areas were further explored during the interviews and it emerged that rather than by a move towards convergence, these were affected by a need to adapt to the local context and a response to universalistic variables (size and sector) respectively. During the interviews with HQs HR manager it was noted that in all cases, they all used the term ‘best practices’ when referring to the Finnish ones. No explicit attempt to make use of HPWS was reported. Hence we might conclude that proposition 3 did not find any support.

#### **5.2.10 Understanding the implications of the data analysis**

Findings proceeding from both the survey and the interviews have provided a richer picture of HR policies and practices used in Finnish subsidiaries in Italy. The triangulation of the two sets of data and the cross-case analysis have provided some consistent results:

- 1) A clear country-of-origin effect has been observed in some of the HR policies and practices used in Italy. As discussed in 5.2.6, the ‘Finnish effect’ is mainly related to the **greater involvement of the employees** (in appraisals, T&D and communication); **a greater level of formality in selection**, manifested through the request of references; **a higher presence of written strategies and the direct management of managerial positions** (hence the difference in selection methods for managerial positions, the greater amount of training offered to managers and some variation in the remuneration policies adopted for these higher positions).
- 2) HR practices where the country-of-origin effect is evident are practices that were found to be more strongly ‘embedded’ in the PC’s institutional and cultural context.

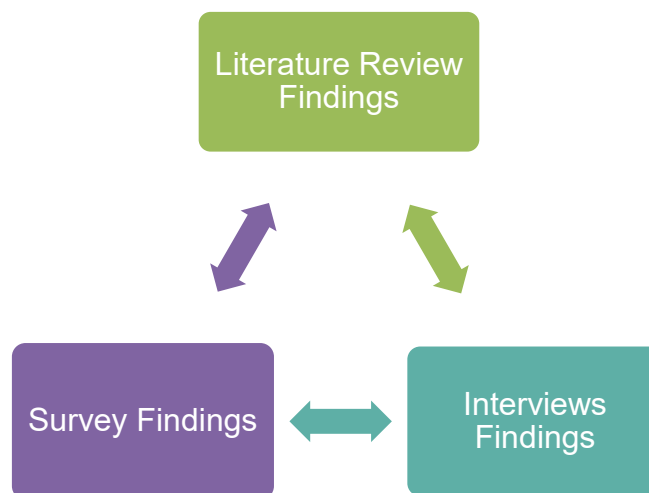
- 3) Country-of-origin effect is likely to happen because Finnish MNCs, in an attempt to control their subsidiaries, try to standardise HR practices by sharing their own 'home-grown' strategy and values, which are subject to the imprint of the cultural and institutional values of their PC.
- 4) Country-of-origin effect was subject to a series of moderating factors (as some other HR practices, equally embedded in the PC's institutional and cultural context have not been adopted in Italy), namely: a) *legal and institutional constraints*; b) *recognised cultural differences* and, c) *external contingencies*, such as size of the unit.
- 5) The relational context also plays a role in the transfer/adoption of PC's HR policies and practices. Trust (seen as dependent on cultural differences and environmental factors, such as economic and political climate) and perception gaps affect the locals' perception about level of control exerted by the HQs and, in this case, leads to greater compliance with PC guidelines (hence to greater country-of-origin effect).
- 6) Even if internationalisation strategies used (polycentric or a hybrid of poly/regiocentric) suggest that a greater autonomy is delegated to the HC managers and that HR policies and practices would resemble more closely those of the HC, a country-of-origin effect and some dominance of PC's HR practices has been reported.
- 7) If Finnish companies seem to be using Finnish practices, coming from central guidelines, they do not appear to make use of (or even refer to) any forms of HPWS. Hence if a country-of-origin effect is observed, no dominance effect or convergence can be reported.

## CHAPTER 6 – DISCUSSION AND CONCLUSIONS

In this chapter research findings will be discussed and will be related to current literature and to the research propositions. Limitations will also be discussed while the final section will highlight the study contribution to the existing body of knowledge.

In the following paragraph findings that emerged from both the survey and the interviews will be ‘triangulated’ with findings proceeding from the literature review to reinforce the reliability of discussion and conclusions.

**Figure 27 - Triangulation of Findings**



### 6.1 Triangulation and Discussion of findings

Data from both survey and interviews will be discussed jointly as they reinforced and complemented each other, as explained in table 24, overleaf.

**Table 24 - Triangulation of survey and interview findings.**

	<b>Findings from Survey</b>	<b>Findings from Interviews</b>
<b>Use of written strategy</b>	Except for a few areas which are strongly affected by the subsidiaries' size, a country-of-origin effect has been observed as written strategies are widely used.	Interview respondents confirmed the use of written strategies and explained that many written policies are 'shared' by the HQs ( <i>"it is the company policy"</i> ).
<b>Line versus HR</b>	Most HR activities are devolved to line managers only or line managers supported by HR, indicating a country-of-origin effect.	As CS companies did not have an HR department, HR activities were necessarily delegated to MDs.
<b>Recruitment and Selection</b>	In the case of recruitment, a local approach, favouring informal methods (e.g. word of mouth) and internal recruitment, has been preferred. In the case of selection, although both countries favour the use of one-to-one interviews and application forms, the Finnish preference for using references and interview panels for managers has been reported in the Italian subsidiaries, indicating a country-of-origin effect in selection.	Recruitment is also localised in the CS companies, with more widespread use of informal methods, although internal recruitment is not used by all firms due to other constraints (e.g. size of the local firm). Finnish preferences for using references in selection (in all but one organisation) and use of panel interviews for managers have also been reported, indicating a country-of-origin effect.
<b>Flexibility</b>	No evidence of greater flexibility (compared to Italian firms) was found. FWAs are still very scarce; possibly due to the small size of sampled companies. No country-of-origin effect was reported.	CS organisations were all quite small (less than 50 employees) and were not making use of FWAs. They explained that -especially because of their size- they were not contemplating the use of more flexibility. FWAs were only offered in case of need (e.g. shift work in Agika Italy).
<b>Training and Development</b>	More training days were offered to managers and employees' views were considered in the analysis of training needs; indicating a country-of-origin effect.	This finding was confirmed in the interviews and it was explained that training guidelines generally come from the HQs. It was also indicated by two respondents that even if managerial development activities have recently been reduced due to the economic recession, considerably more developmental opportunities have generally offered to managers.
<b>Appraisals</b>	Subsidiaries made less use of appraisals than the EU average, indicating a country-of-origin effect. As opposed to Italian common practice, they also involve employees in the process. But contrary to Finnish practice they do not involve other	Respondents have confirmed findings of the survey and have explained unanimously that employees are involved in the process, in line with the PC's practice; while other parties are not involved, as this might have caused

	parties (e.g. colleagues or customers). In order to decide whether to attribute this preference to a ‘partial’ country-of-origin effect, this area has been explored in the interviews.	problems in the local context (e.g. loss of face). In this case, the approach used is a hybridisation of a Finnish practice with an Italian cultural preference; indicating an ‘adjustment’ that takes into account local contextual factors.
<b>Pay and Benefits</b>	The questionnaire looked at whether a typical Finnish form of incentive (profit-sharing) had made its way into Italian subsidiaries. Data indicated that this is not the case as profit-sharing is used in less than 10% of cases. Hence a country-of-origin effect was not observed.	In the interviews, respondents were asked if their remuneration packages were established at HQ or at local level. A “dual” approach was described by most respondents, with the MDs having plenty of leeway in the choice of job grading and remuneration for lower employees and the HQs retaining control and responsibility over higher employees. Profit-sharing not widely used.
<b>E.R. and Communication</b>	<p>Unionisation rate is very low in our sample and many organisations do not have a TU at all, nor do they have Works Councils. It has been proposed that this might be due to either an Anglo-Saxonisation of ER or to the size of the organisations under scrutiny. To shed light on this, this topic has been further investigated in the interviews.</p> <p>As far as communication is concerned, data showed that subsidiaries in Italy are still lagging behind compared to Finnish companies; with manual staff often not informed of organisational strategy and organisational performance.</p>	<p>Respondents (all from small firms) indicated that they either did not have TUs and Works Councils or that they had a TU but with little power/activity (Agika Oy). When asked why TUs were not present/influential, all respondents referred to the size of their companies, which allowed for easy problem resolution and did not normally require mediation.</p> <p>Interview respondents indicated that in their companies all categories of employees are always briefed about company strategy, financial performance and organisation of work (somehow contradicting survey results), two out of the four respondents also identified communication as a typical ‘Finnish’ trait in their companies.</p>

On the whole, interview findings have confirmed and explained survey findings. The only discrepancy to report is the impact of country-of-origin effect on communication. While survey findings indicated that communication systems and strategies resembled the local ones (alias very poor systems were in place in Italian subsidiaries as opposed to the more organised and inclusive Finnish practice) all interview respondents indicated that the HQs had nevertheless introduced new (and improved) systems of communication (such as the ‘Share your ideas’ or the ‘Views’ strategy) to improve the



dissemination of knowledge and information. A discussion on each one of the HR practices mentioned was presented in chapter 5, here the focus will shift towards interpreting the results and integrating them with existing literature.

As indicated in 5.3, some general behavioural trends have been observed in both survey and case study data: Finnish MNCs are not ‘exportive’ of their whole managerial systems, but rather of parts of it. As observed earlier by Purcell (1987) MNCs can *strategically* decide to export only some selected HR policies and practices (in his study those related to IR). In this case the Finns ‘exported’ practices related to the HR areas of: training and development; performance appraisal; recruitment; and selection and remuneration only for managerial positions. A preference to devolve HR functions to line managers and to have in place written strategies for most HR policies has also been reported. As indicated above, an attempt to introduce more effective communication strategies has also been observed in some instances. As discussed in both 5.2.6 and in 5.3, transferred HR practices are mainly related to the: **greater involvement of the employees** (in appraisals, T&D and partly in communication); **a greater level of formality in selection**, manifested through the request of references; **a higher presence of written strategies and the direct management of managerial positions**. One interesting reflection to make is that if Purcell (1987) refers to a strategic decision made by the HQs to transfer certain practices and not others, this does not seem to be the case for Finnish managers, as no explicit strategic intention to transfer the above listed HR policies and practices was expressed by any of the global managers interviewed.

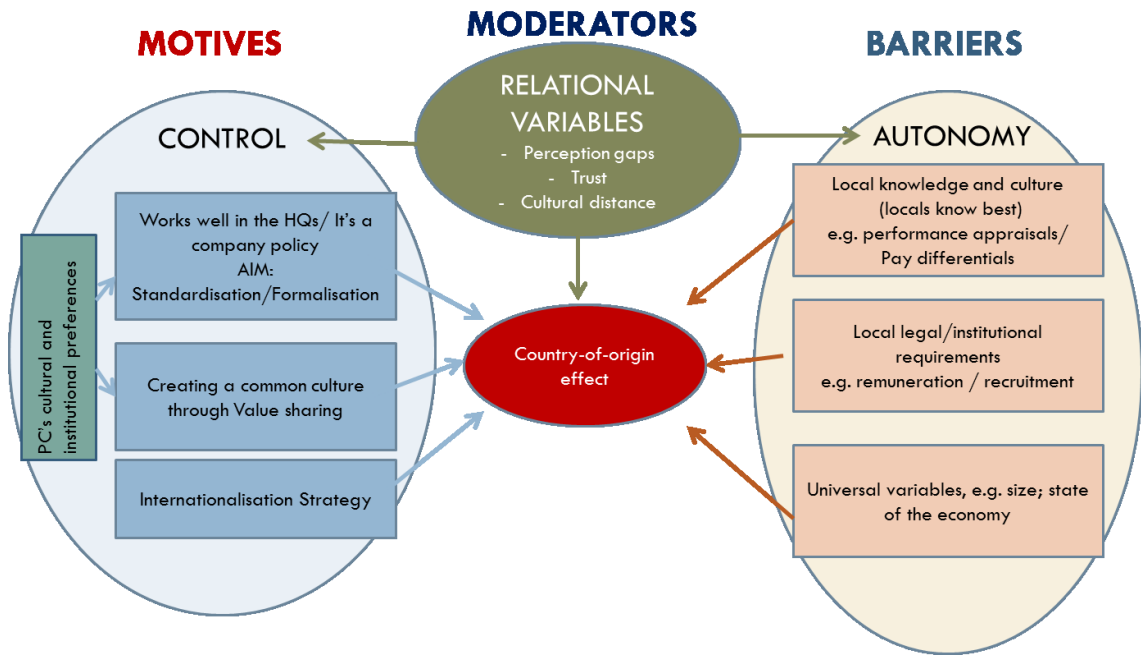
The transferred HR practices are strongly influenced by both the Finnish culture and the Finnish NBS/institutional context, as also discussed in 5.2.6: greater employee involvement is a typical trait of Finnish organisations and it is strongly associated to both Finnish cultural values (belonging to the “well-oiled machine cluster” with

relatively low PD and moderate UA and displaying high femininity(Hofstede, 2001)) and institutional influences (Couch's (1993) 'Nordic' model is depicted as being more egalitarian, favouring employee participation (Calori and De Woot, 1994); Whitley (1999) 'Collaborative' model also talks about a more collaborative approach and higher negotiation between parties). Employee participation is not common in Italy (due to higher PD scores and low femininity and to the less modernised, 'dysfunctional' capitalist system). The preference for the **use of more written strategies and more formal processes** can also be attributed to Finnish cultural values (more explicit, low-context channels of communication are preferred (Hall and Hall, 1990)) and to institutional influences (with Nordic capitalist regimes making use of more extensive regulations of employment, (Crouch, 1993). Hence it might be proposed that HR policies and practices used in the Italian subsidiaries are subject to a **clear country-of-origin effect, rather than necessarily being the result of a strategic decision making in the HQs.**

To further explore the above argument, and from a careful and thorough analysis of survey and case study data, a number of important factors have been identified (see figure 28); their importance lying on the fact that they might explain:

- which HR policies and practices are transferred;
- the motives for transferring these practices, as well as
- some moderators that may act as barriers to the transfer; and finally
- some relational factors that might act as either levers or moderators for the transfer.

Figure 28- Factors affecting country-of-origin effect in this study.



It may be asserted that in an attempt to control/standardise HRM in their Italian subsidiaries, Finnish MNCs will try to transfer their standard (embedded) ‘best’ HR practices by using mechanisms of indirect and impersonal control (Harzing and Sorge, 2003). Practices that are transferred are those that have been associated by the literature reviewed to strong Finnish cultural and institutional traits (as discussed earlier; e.g. greater participation and inclusiveness of employees). HR practices may be transferred either with the aim of standardising HRM across countries and also with a view to create a strong company culture through value sharing. If these two intents can be considered two forms of control, a ‘declared’ and conscious intention to ‘control’ the Italian subsidiaries has not been observed, as none of the global HR managers mentioned their propensity for controlling their local units through the use of their ‘home-grown’ HR practices. Hence, their behaviours (including their ‘strategic choices’) might be unconsciously directed by their national cultural values and institutional profile. Cultural and institutional differences may in fact influence MNCs behaviour through the tacit beliefs and implicit values of the key decision makers (in this case the

global HR managers), giving way to a stronger country-of-origin effect (Noorderhaven and Harzing, 2003).

The delegation of implementation of local practices to local managers, while strategic decision making is retained at the HQs, is consistent with the internationalisation strategy adopted by the CS companies, a ‘poly/region-centric’ approach in Perlmutter’s (1969) classification. As Perlmutter (1969) stated, when a polycentric strategy is used, more autonomy is given to HCNs while the HQs will try to exert control by socialising HCNs into corporate values (see table 1 in 1.2.1).

To conclude, it appears that practices are transferred either with a strategic purpose (what Edwards et al. (2011) refer to as ‘market approach’), or as an unconscious response to PC cultural and institutional influences, or possibly both (Edwards et al., 2011).

Findings have also demonstrated that Finnish MNCs in Italy do not make use of ‘strategic segmentation’ of HRM; e.g. harsher policies and practices, such as worsened working conditions and union exclusion (Elger and Smith, 2005; Almond, 2011). We had initially conjectured that Finnish HQs might have strategically decided to: a) discourage TU membership and Works Councils; b) waste less efforts in communication systems to inform their employees of organisational issues; and c) limit the amount of flexibility offered to the Italian employees; but –as discussed earlier– decisions taken in relation to these HR policies and practices seems to rather be determined by contextual/universal variables; such as the size of the subsidiaries (often too small to need TUs and Works Councils) and the nature of work (which doesn’t allow a vast amount of flexibility). It might also be plausible that their potential

willingness to strategically segment their HR in Italy would have been limited by a number of ‘moderating factors’ (Elger and Smith, 1998; Hayden and Edwards, 2001; Almond, 2011); such as local institutional and legal constraints to the implementation of less ‘protectionist’ policies and practices as Italy (like Finland) has a long tradition of employee protectionism.

A number of these ‘moderators’ were indeed identified, these acted as barriers to the transfer of other Finnish HR practices, practices that had been identified in previous literature as also embedded in the PC’s cultural and institutional settings. Moderating factors identified in the current study fall into three main categories: a) a recognition of local cultural differences and of the importance of local knowledge/expertise (e.g. establishment of pay differentials for non-managerial employees are delegated to local MDs); b) influences of the local legal and institutional requirements (e.g. recruitment; remuneration packages); and c) contextual/universal variables, such as size and state of the economy (e.g. role of TUs and general ER). The moderators detected in the current study closely mirror the variables identified by Edwards et al. (2011) as part of their “Host Country effect” (see 1.2.4). Their ‘general economic climate’ correspond to the above ‘universal variables’; their ‘existing systems’ correspond to the above ‘legal and institutional requirements’ and their ‘cultural norms’ and ‘knowledge and skills’ correspond to the above ‘local culture and local knowledge and expertise’. Edwards et al. (2011) also advance the proposition of a potential ‘transmutation’ of HR practices, when PC’s practices undergo some transformation to adjust to the local context. In the case study data, it was indicated that the inclusiveness of employees in performance appraisals, but not an inclusiveness of other parties, constituted a ‘deliberate’ adjustment of a Finnish HR practice to respond to the local cultural difference and the local accepted practice (in an attempt to ‘legitimise’ the HR practices).

Edwards et al. (2011) also referred to a ‘political approach’ when analysing the reasons and mechanisms of ‘transfer’ of practices across borders. They argued that HQs’ managers might want to engage in the transfer process, especially when it comes to transferring values, in order to give the image of a strong, solid company that promotes value-sharing activities; while on the other hand, local actors (local MDs) might accept the transfer to advance their own interests and act as ‘good corporate’ citizens.

In the present study, rather than finding specific mention of the ‘political’ process, we have found that country-of-origin effect and in general the transferring of HR policies and practices cannot be fully understood without taking into account the relational aspects of the HQs-subsidary rapport.

It could very well be that global HR managers are engaged in value-sharing activities for ‘political reasons’ and that local managers have been found to be ‘over-compliant’ with the company’s values (possibly in an attempt to protect their own interests, especially in the face of the economic crisis and the resulting threat of restructuring and downsizing), but it is also true that the nature of this relationship has been found to be more complex than just the aforementioned political factors.

In the present study, respondents introduced a number of factors that affect the HQs-subsidary relationship, and in turn the transfer and acceptance of PC’s HR policies and practices. These factors were summarised in 5.2.8 and were essentially to do with cultural and institutional issues (communication problems, lack of transparency, complexity of the local systems) and environmental factors (economic and political climate) that were thought to affect the extent to which the HQs trust the Italian subsidiaries and the resulting behaviour.

Kostova and Roth (2002) had also emphasised the importance of trust - as it influences how pressures from the PC are interpreted by subsidiaries – alongside two other relational variables: dependence and identification. They associate dependence to adoption of/compliance with PC's practices. In the case of our sample, all the case study companies (even in the case of Agika, whose role is more strategic than the other subsidiaries) are hierarchically dependent (have no R&D facilities and no HR function, as per Taggart and Hood, 1999) and have got little strategic decision-making power. Local subsidiaries' managers perceive a sort of 'coercive pressure' exerted by the HQs and feel 'dependent' on the HQs, hence they follow very diligently the PC's guidelines, even when these are not intended to be 'coercive'. No 'greater resistance' against PC's guidelines was exhibited (Rosenzweig and Singh, 1991), possibly because of the threats posed by the external environment (the uncertain economic climate leading to redundancies and restructuring). Moreover, the Italian attitude to accept this 'dependent' position and to accept that power is distributed unequally in a top-down, hierarchical approach might be explained by the high PD score in Italy (Hofstede, 2001), but equally by a long-standing tradition of 'authoritarian management style' in HRM (Pedrocco, 1980). Here again, cultural and institutional values of the HC play an important role. The same can be said in the case of trust, as – consistently with Doney et al. (1998) it is not easy to establish reciprocal trust when trustors and targets do not share the same cultural values, as in the case of Italy and Finland, this leading to 'perception gaps'. Trust in a working relationship is very important for the Italians (all local managers have expressed their strong views on this), and this is again retraceable to: a) the Italian culture (Trompenaars and Hampden-Turner (1997) have commented on the importance of 'networking and relationship' in the 'Family' cluster Italy belongs to) and b) to its institutional configuration (in the 'Third Italy' model, trustworthy interpersonal

relationships are at the basis of business interactions (Gagliardi et al., 1997; Piore and Sabel, 1984)).

Finally, ‘identification’, the last construct proposed by Kostova and Roth (2002), has not been observed in our sample. The fact that the Finns go to great lengths in sharing strategies and values and engage the subsidiaries’ managers should enhance identification of the local units with the PC. Nevertheless, the subsidiaries’ MDs have not exhibited a ‘strong sense of attachment’ to the PC, and see HR practices coming from the HQs as different from their own and ‘imposed’ from the top, indicating a reaction of ‘compliance’ rather than a willingness to become isomorphic with the PC. Hence, in this case, identification (or rather lack of) cannot be seen as positively associated with the strength of the country-of-origin effect.

When comparing this new framework that directly emerged from the data analysis (figure 28) to the research framework proposed at the end of chapter 3 (figure 10), it appears that most variables have been found to play a role in establishing the extent of country-of-origin effect of Finnish MNCs in Italy.

Although reference to the internationalisation strategy used is made, it has emerged that, in the case of Finland and Italy, relational variables and especially perception gaps may play a greater role in influencing the country-of-origin effect than the internationalisation approach used by the HQs. Finns try to strike the balance between global integration and local adaptation by adopting a regio/poly-centric strategy, and this is consistent with the ‘dual approach’ used, whereby by “duality” we refer to the fact that the MNC finds a ‘compromise’ in its HRM approach and makes use of a system that adopts a global, centralised strategy for the senior management positions and a more localised approach for the lower management positions and the remainder of



the workforce (Evans et al.'s, 2002). This is similar to McGraw's (2002: 214) concept of duality –whereby the “influence of the local environment is likely to be greater for process workers than managerial workers, who are more likely to have their practices aligned with overseas parent practice”. This implies that greater autonomy and responsibility are delegated to the local MDs and implementation of general HRM policies and practices for lower positions should be entirely managed by the local MDs with no influence from the HQs. Findings from the present study have demonstrated that this is not always the case and that relational factors and especially perception gaps and trust exert a strong influence of country-of-origin effect. As discussed in 5.2.8, this study suggests that the great cultural and institutional distance between Italy and Finland, together with the influences of an unstable external environment (both economically and politically), contribute to a widening of the perception gaps between the two countries. Perception gaps then contribute to a (perceived?) increase of control and reduced local autonomy, hence to greater implementation of ‘Finnish home-grown and trusted’ HR policies and practices. These gaps could also be responsible for the local managers’ decision to follow more closely the HQs’ guidelines, whenever possible, giving way to a stronger country-of-origin effect.

No specific mention of the homogeneity of country culture or to the size of openness of the PC economy was made by respondents. No evidence was found for ‘mimetic isomorphism’ and convergence (Ferner, 1997). These points will be discussed hereafter.

## **6.2 Discussing the research propositions**

Research propositions of the present study, as presented in chapter 2 (2.9), will now be discussed.

Proposition 1a argued that since Finland has a strong and homogeneous PC culture (Raento and Husso, 2001) we might have reported a strong country-of-origin effect (Noorderhaven and Harzing, 2003). As a strong effect was indeed reported and as the HR practices more susceptible to the effect were those that reflected marked cultural preferences (see chapter 5); proposition 1a is supported.

Proposition 1b argued that country-of-origin effect would have been weak because of the size (small) and open-ness of the Finnish economy. As we did register a substantial country-of-origin effect; proposition 1b did not find support.

Propositions 1a and 1b are not directly related to research questions posed to the interviewees but emerge as an overall implication of the general findings of the present study, hence they have not been specifically mentioned by participants and have not been included in figure 28 while they had been included in the initial research framework (figure 10).

Propositions 2a and 2b found support as we did indeed find a widespread use of clearly spelled out and written HR strategies in most HR areas; exception made for those which are strongly influenced by other contextual factors, such as size and nature of work (2a) and also found evidence of a marked preference to devolve HR issues to line managers, at times supported by HR (2b).

Proposition 2c found partial support, as if recruitment follows more closely the local practice, in selection the use of references is more widespread and the selection of managers follow the Finnish approach (with more use of panel interviews), possibly because it is managed directly by the global HR managers.

Proposition 2d found support, employee have an active and participative role in appraisals and in training (can advance requests for training interventions). It has earlier been discussed that greater employee involvement and participation is related to cultural and institutional values of the PC.

Proposition 2e did not find support as if in Finland “employees often expect, and employers often grant, daily personal flexibility” (Brewster et al., 2011:152); the use of FWAs is fairly limited in Italy, in consonance with the local tradition. It has been argued that this might be dependent on contingent/contextual factors (size of the subsidiaries; nature of work) but nevertheless very few organisations were found to have FWAs in place.

Proposition 2f did not find much support in the survey results, though more data emerged during the interviews that provides support for this proposition. If it is true that not all organisations are making use of ‘participative’ communication systems; it is also true that an attempt for being more inclusive has been observed. Hence the proposition has found partial support.

Proposition 2g was not supported by current findings, although –as discussed earlier– the reliability of this conclusion might be debatable, as contextual variables (size; industry sector) might have been stronger determinant on unionisation rates than the country-of-origin effect.

Proposition 2h is supported as we found evidence that more is spent on training for managers.

**Propositions 2a to 2h were formulated on the basis of cultural and institutional preferences of Finnish organisations (chapter 2). The fact that HR policies and practices in Italian subsidiaries are strongly affected by these preferences not only demonstrate a country-of-origin effect, but also –implicitly- demonstrate that MNCs (and hence the country-of-origin effect) are deeply influenced by both the cultural and the institutional contexts of the home country.**

Examples of cultural influence have already been discussed in earlier sections, a brief synthesis will be provided hereafter.

The Finnish low PD and more egalitarian management approach might be accountable for the greater consultation and involvement of subordinates in the case of training needs analysis and appraisals and partly in communication. More devolvement to line managers might be a result of Finnish combination of UA and PD scores (well-oiled machine in Hofstede's (1980) terms and guided missile in Trompenaars and Hampden-Turner's (2007)). The well-oiled machine is also characterised by information sharing, a trait that the Finns have partly exported to their Italian operations. Some other HR practices that are generally associated with the Finnish high femininity scores (e.g. more use of flexibility and family friendly remuneration packages) have not been observed but, as it's been explained earlier, this might be due to a series of contingent factors (as in the case of FWAs and remuneration). The greater localisation of remuneration is not unusual, as it is highly regulated by legal constraints and is thought to be one of the most 'locally sensitive' HR practices (Rosenweig and Nohria, 1994). Hall and Hall's (1990, 1995) theory might explain the fact that strategies and policies are more explicit

(resulting in greater use of written strategies), as this reflects a preference of ‘low-context’ countries such as Finland.

Typical Italian cultural traits that could be accountable for moderating the country-of-origin effect might be the combination of UA and PD in Italy (pyramid of people) that implies a more ‘personalised’ style of relationship in the workplace (affecting the value given to certain relational values such as trust and creating wider perception gaps) as well as the fear of loss of face; this might be the reason behind the adjustment in the appraisal process and choice of incentives (avoid 360° feedback; the use of group bonus preferred over the use of profit-sharing).

Looking back at the influence of institutional profiles, it might be argued that subsidiaries’ practice of providing more training to managers than to employees is a reflection of the Finnish institutional system (Nikandrou et al., 2008). Another trait of the Finnish institutional profile (Whitley, 2002) could be the incidence of national bargaining in the determination of pay and benefits but, as this is also common practice in Italy, we cannot claim that it is an indicator of country-of-origin effect. Finally we could have used unionisation rates (proposition 2g) and the influence of TUs to determine whether decision making was achieved through coordination between various partners, as is customary in Finland (Whitley, 2002), but the small size of our organisations and the nature of work that they carry out has had a stronger bearing on the presence (in this case absence of TUs).

Proposition 3 does not find any support in our data. From an initial analysis of the survey data, it had been assumed that employee involvement in appraisal systems and a low unionisation rate might have been representative of an attempt to use an Anglo-

Saxon model of best practice but, after exploring these issues in the interviews, in the CS organisations, it has become clear that this is not the case. Employee involvement is a result of a process of ‘integration’ of Finnish and Italian management preferences; while low unionisation and the absence of TUs are rather a result of contextual variables. This is consistent with Noorderhaven and Harzing’s (2003) stance that despite the growing political and economic integration of countries within the European Union, no increased similarity of management practices that would point towards the adoption of a single model (such as the Anglo-Saxon) has yet been reported.

Taking the analysis a step further and trying to look at whether any evidence of directional convergence (Mayrhofer et al, 2004) appears in the way Finnish HR policies and practices are designed in Italy, findings demonstrate that little can be said about the size of the HR department, since most of the organisations in our sample do not have one; there seems to be a growing interest to invest in training and development, but only for managerial posts; a tendency to share more information with the employees has been reported, but not specifically in the areas of organisational strategy and financial performance; FWAs are not commonly used in Italy (by either Italian firms or Finnish subsidiaries). Hence no substantial evidence for a directional convergence has been found.

As explained in chapter 2, no propositions had been advanced to explore how greater cultural and institutional distance would have influenced HRM, as not sufficient literature on the topic could be drawn upon to justify the formulation of prior expectations. Nevertheless, one of the aims of the current study is to explore how cultural and institutional differences affect MNCs choices of HR policies and practices in their subsidiaries. Our findings suggest that belonging to different cultural and

institutional clusters (Shenkar, 2001; Kostova et al., 2002) is no barrier to the transfer of ‘home-grown’ HR systems. Interview respondents indicated that because of these differences, the Finns did not readily understand the ‘complexity’ (diversity) of the Italian system. From the respondents’ account we might deduce that Finns react to this complexity in a way that embraces a ‘laissez-faire’ and an ‘authoritarian/controlling’ approach at the same time; as while they leave less strategic choices and decisions that might be more susceptible to local cultural/institutional constraints and acceptance to MDs (who are delegated enough authority and decision making power; e.g. to choose appropriate remuneration packages), they also very closely control and share values and guidelines around some general HR policies and procedures; and retain decision making for all HR activities that relate to key positions. The above findings to some extent contradict both Shenkar’s (2001) and Kostova et al.’s (1999, 2002) arguments that greater cultural and institutional differences respectively would make it difficult for MNCs to transfer their practices and gain legitimacy in a HC while it confirms Hannon et al. (1995) and Bjorkman and Levick’s (2007) belief that implementation of HQs practices in foreign operations will be negatively associated with the level of subsidiaries’ autonomy vis-à-vis the HQs.

### **6.3 The theoretical contribution of this study**

The first theoretical contribution of this study is that it extends current research and knowledge in the field by adding a valuable puzzle piece to the big jigsaw that studies HRM in MNCs. In this particular case, the uniqueness of this research is that:

- it explores HRM in two countries which are often neglected by the ‘parochial’ nature of SHRM (Clark et al., 1999)

- it uses a ‘much in demand’ theoretical stance that explores country-of-origin effect by analysing the impact of *both cultural and institutional context of both PC and HC*
- it extends theoretical frameworks that investigate the factors that influence the country-of-origin effect
- it presents two complementary narratives, the local managers versus the HQs’ global HR managers
- it adds another valuable case study in the convergence versus divergence debate.

Analysing country-of-origin effect in two countries that belong to different cultural and institutional clusters has helped understanding some of the mechanisms that facilitate or hinder the transfer of PCs HR policies and practices in cases of greater cultural and institutional distance, these will be summarised below.

The country-of-origin effect has been related to a number of variables that had been identified by previous research (Noorderhaven and Harzing, 2003), such as the strength of the home country culture and the size and open-ness of the PC. It was confirmed that a country with a homogeneous culture is more likely to have its HRM policies and practices influenced by the embeddedness in strong cultural values and hence is more prone to exert a country-of-origin effect. Contrary to expectations, the size of the home country economy seems to be negatively associated with a ‘complete localisation’ of HR practices, as in this case Finland (with a small domestic economy) is still exerting a remarkable country-of-origin effect.

The results of this study have also confirmed the importance of some other variables identified by previous research studies, such as the influence of control and autonomy



(Bartlett and Ghoshal, 1990). Trying to associate country-of-origin with internationalisation strategies and subsidiary roles, it has been found that even in cases where HQs strategically choose to adopt a more 'localised' approach (regio/polycentric) and foreign subsidiaries assume a more 'receptive' role, the use of typical PC's HR policies and practices can still be observed. If a 'duality' perspective is expected in a polycentric approach, that sees the direct management of strategic aspects of HRM and strategic resources in the hands of the HQs' managers, the similarity of local HR policies and practices to the Finnish practices, in some areas which are not strategic, points towards a country-of-origin effect which goes beyond the strategic intentions, indicating that some other factors might be more determinant than the chosen strategy for the country-of-origin effect.

Moderators of country-of-origin effect were also identified, and these were in consonance with previous literature and closely reflected Edwards et al.'s (2011) "Host-country factors".

The major contribution of this study lies in its extension of previous models to take into account countries with great cultural and institutional distance, and in the realisation that – in this particular case – the role played by relational variables is vital. It has emerged that when countries are culturally and institutionally dissimilar perception gaps will be quite significant and that the HC's values might affect the strength (increasing it in this case, possibly weakening it in others) of the country-of-origin effect. Hence **perception gaps and other relational values such as trust will act as moderators of country-of-origin effect, as they possibly affect the level of control exerted (consciously or unconsciously) by the HQs and surely affect the acceptance of authority and guidelines and hence the autonomy of the HC (see figure 28).**

Another contribution of this study is that both perspectives, the local managers' and the HQs HR managers', have been taken into account in the case studies and that two distinct narratives have emerged, reinforcing the argument that perception gaps exist and that they strongly influence the relationship between the HQs and the subsidiaries.

Finally, another important contribution is the 'addition' of another case study to the convergence versus divergence literature. If a preference of PC's HR policies and practices has been at times observed, in no cases was there a reported tendency to make use of universal, Anglo-Saxon models of best practice, hence no trend towards convergence can be reported.

#### **6.4 Limitations**

The design of the study had to be reshaped during the course of this thesis due to changed 'external circumstances', as one of the organisations that had agreed in principle to act as an in-depth case study was completely restructured in the last couple of years and the new management was not so keen in participating. Moreover in 2006, when this study was first designed, there were 46 Finnish MNCs operating in Italy, the list in 2012 had brought the number down to less than 20. In addition to that, it could not have been anticipated that most Italian subsidiaries would be small in size, hence the idea of carrying out numerous interviews with various managers from within the same company had to be discarded and was replaced by the 'mini-case studies' where only the person responsible for HR was interviewed. An addition to the study was made following comments from the external examiner and a 'HQs perspective' was added a year after the local respondent's perspective was elicited. The author verified that no

important changes in the organisation had happened during this time, but it would have been preferable to have carried out all the interviews at the same time.

CRANET data for Italy from the latest survey round was not available; hence 2004 data had to be used. It is true that, as the CRANET team purports, no substantial changes have been reported between the last survey rounds for developed European countries, but –nevertheless- more recent data would have been preferable. A like-with-like comparison was also not possible at times, and comparing data that come from different data sources might not always be the best choice. In any case, the issues of ‘likeness’ and equivalence of meaning (as discussed earlier) are unresolved issues in international comparative research (Cavusgil and Das, 1997). As Tregaskis et al. (2004) explained: “The same empirical phenomena can be labelled differently in different countries and, vice versa, different things can carry the same labels. Likewise, the same data gathering procedures can yield quite different results...comparative research is concerned with attempting to compare like with like. In international settings this is not an easy task” (p.440). As both the questionnaire and a great part of secondary data used proceed from the CRANET project, limitations of this research study, such as low response rates, will also affect my research (Parry et al., 2011; Dewettink and Remue, 2011; Steinmetz et al., 2011; Brewster et al., 2011).

From a methodological perspective, choosing interviews as a research method also present some limitations, as interviews might ‘deviate’ the data as a result of interviewer and interviewees’ values, attitudes or communication skills (Morgan, 1997) as discussed in chapter 3. The knowledge, experience, interests and values of the researcher are also likely to affect the ‘assembling’ of the research findings, ‘positionality’ being impossible to remove (Saunders et al., 2009); a different

interviewer might have collected different data. Hence interview data is ‘bounded’ (Anderson, 2004). The use of semi-structured interviews might have also limited the amount of exchange of information between researcher and interviewee (Saunders et al., 2009). Notes and transcriptions are also blamed for often erasing the context as well as some important non-verbal data, a transcript being unavoidably selective (Creswell, 2009). Moreover since respondents did not allow the recording of the interviews, there might be some pretermission of the information given due to time constraints in note taking (Novick, 2008). Other limitations related to the use of telephone interviews had been discussed in chapter 3.

Another limitation lies in the selectiveness and subjectivity of the interpretative approach in the data analysis. “Coding is a judgment call” (Creswell, 2009:231) and the worldview of the researcher cannot be completely silenced. Informants are selective too and they might consciously or unconsciously omit or alter their compte-rendus. In the present study, it is also important to acknowledge the limitations of relying on a single-respondent for two of the case study companies, as single-respondent bias is a recognized limitation of interviews in particular (Crotty, 1998).

Generalizability of research findings is also a ‘conflictual’ issue, as the area of IHRM is in a constant state of evolution and what is true today might be outdated within a short period of time. Especially when discussing IHRM trends, such as a potential convergence (be it directional or final) or a substantial divergence, longitudinal studies would be more appropriate (McGaughey & De Cieri 1999), and this hasn’t been possible in the case of this research study. Generalizability was never an aim of this study.

Issues of reliability, credibility and plausibility also need to be taken into account and have been discussed, together with the steps taken to circumvent their effect, in 3.2.8.

The major limitation of this study is surely the small size of the sample which, in the case of the survey, allowed for very limited use of statistical techniques. Having said that, it still represents 71% of the total population. The aims of the study were to provide a snapshot of a ‘neglected’ but nevertheless important couple of European countries, it’s a “niche” study that aims at capturing factors that influence the inter-relationship between HQs and subsidiaries of culturally and institutionally different countries in order to ascertain whether a country-of-origin effect can be discernible in the subsidiaries’ HR policies and practices.

Finally, another limitation lies in the fact that not all possible variables that may affect the country-of-origin effect could be taken into account. For instance, a distinction between Finnish MNCs’ status (e.g. joint ventures versus cross-border mergers; ownership structure) has not been made; this might also be seen as a limitation of the present study. Nevertheless, the study has been informed and shaped by existing theoretical models, even though an ‘all-encompassing’ framework of analysis is still an idealistic aim.

## **6.5 Conclusions: revisiting the initial aims and objectives and advancing further research propositions**

This final section will summarise the finding of the present study and will relate them to the initially formulated research aims.

### 6.5.1 Revisiting the initial aims and objectives

In the introduction chapter, the following aims had been listed:

- a) Analyse/explain the behaviour of MNCs when they operate in a country belonging to extremely different cultural and institutional clusters (Finnish MNCs in Italy);
- b) Identify the presence of a Country-of-origin effect: how do home-country cultural and institutional profiles influence the choice of HR policies and practices in the HC?
- c) Assess how a great cultural and institutional distance might affect country-of-origin effect;
- d) Identify a potential Convergence towards universal models of best practice (Jain et al., 1998, McDonough, 2003)

The above aims led to the formulation of a further main aim:

- e) Make a theoretical contribution:
  - i. an understanding of factors that shape the country-of-origin effect will lead to theoretical formulation that expands current knowledge of the topic
  - ii. by responding to a need to provide studies where both a cultural and an institutional paradigm of analysis are taken into account in the research design
  - iii. new case studies on nations that are not generally too well explored will enrich current literature on European HRM

This study has indeed explored and discussed the behaviour of Finnish MNCs in Italy and has attempted to relate this behaviour to the PC's cultural and institutional context

(aim a). A country-of-origin effect has been isolated and evidence in support of a strong country-of-origin effect has been found. This is not to say that Finnish subsidiaries in Italy replicate in full the HR systems used in the HQs, as it has also emerged that country-of-origin effect is stronger in some areas (e.g. devolvment to the line; selection; T&D; Appraisals) and weaker in others (e.g. Flexibility; Pay). Support has been found for a 'dual' approach (Evans et al., 2002; McGraw, 2002) whereby a centralised strategy (dictated by the HQs) is used for senior management positions and a polycentric approach for the rest of the workforce, indicating an 'openness' to compromise (aim b). HR policies and practices dictated by the HQs generally reflected the PC's cultural and institutional background, as postulated in chapter 2.

This study has found an inter-relationship between cultural/institutional difference and control exerted by the HQs. The great distance both in terms of cultural and institutional preferences has been defined by the interview respondents as 'complexity' and it was indicated (and this is supported by the survey findings) that the 'duality' stance taken by the Finns seems to be a response to this complexity. As they do not understand the local logic of doing things, they leave the local MDs in charge for non-strategic HR issues but prefer to remain cautious and impose their own systems when it comes to strategic decision making and higher positions (aim c).

No convergence has been reported (aim d). Although from interview data, a convergence in the areas of ER and Appraisal had been supposed, interview respondents indicated that practices in these areas were actually attributable to local contextual variables (e.g. size and nature of work in the case of ER) and to an effort to integrate PC and HC's practices (in the case of appraisal).

Part of aim a, in its attempt to explain and understand, would also involve looking at factors that shape the behaviour of this group of MNCs. Factors from existing theoretical frameworks have been analysed and their role in this particular context has been assessed. The important role played by relational variables and perception gaps has been identified and provide scope for further investigation. The interpretative research paradigm used has helped the researcher to expand current theoretical frameworks. As per aim e, this study has expanded the theoretical field of the country-of-origin literature and has added to the Comparative European HRM.

### **6.5.2 Pointers to further research**

Some potential routes to expand and enrich this research study could lead to looking at Finnish subsidiaries (of the companies that participated in this study) which are located in other foreign countries (with varying degrees of cultural/institutional distance) to see whether they use the same HR policies and practices that they use in Italy and explore why; potentially explore even further the extent to which HR decision making is dependent on cultural/institutional distance. We might also find out whether Finns' HR behaviour in Italy might be replicated in other countries (pointing towards a 'global approach'); this would reinforce the stance that country-of-origin effect is a strong determinant of HR policies and practices, not just in Italy, but everywhere.

Another way to expand the research on cultural distance would be to investigate Italian subsidiaries of MNCs headquartered in other Countries which are more culturally/institutionally similar to Italy.

Finally, a theoretical contribution worth pursuing more widely is a further investigation of relational factors and especially focusing on the role played by perception gaps and



trust as moderators of country-of-origin effect in other groups of countries, both culturally and institutionally distant and similar.

## **APPENDIX 1 – Detail of the questionnaire**

### **The Questionnaire in detail**

Section I: The first section focuses on basic information about the HRM function in an organization (e.g. the responsibilities of the HRM function and the HR information system) as well as the organization itself (e.g. number of employees, age structure, educational level, and implementation of strategies).

Section II: This section refers to the recruiting activities and selection methods of an organization. This section additionally contains several questions about an organization's action programmes and working arrangements.

Section III: The primary focus of this section is to receive information on training needs, design, and the implementation and evaluation of training as well as on methods for career development.

Section IV: This section contains questions about the level(s) of basic pay and bonus schemes as well as on schemes in excess of statutory requirements.

Section V: This short section focuses on questions about the influence of trade unions, employer's associations, and the methods used to communicate with employees within an organization.

Section VI: The last section addresses organizational details such as the industrial sector, industry, performance, and geographical market. It also contains questions about personal details of the respondent, for instance, working experience or gender.”

## APPENDIX 2 a – The Italian Questionnaire

### The Italian version of the CRANET questionnaire, which was used in this research study

#### Questionario

Il seguente questionario e' stato disegnato per ottenere un'immagine delle politiche di gestione delle Risorse Umane (RU) delle imprese finlandesi in territorio italiano. Si tratta di un questionario a scelta multipla, nella maggior parte dei casi vi sarà richiesto solo di mettere una o più crocette nelle relative caselle. I dati raccolti saranno anonimizzati e trattati in conformità con la legge sulla privacy. Grazie per la vostra collaborazione.

1. C'e' un dipartimento di gestione delle risorse umane nella vostra organizzazione?

- ☐ Si  
☐ No

2. Approssimatamente, quante persone lavorano nel dipartimento di risorse umane?

2a. Usate contraenti/organismi esterni in una o piu' delle aree elencate a seguito?

(Una o piu' risposte sono ammissibili)

- ☐ Retribuzione e benefits  
☐ Reclutamento e Selezione  
☐ Formazione e Sviluppo  
☐ Outplacement (Ricollocamento)/Riduzione del personale



2b. Com'e' cambiato l'uso di contraenti/organismi esterni negli ultimi 3 anni?

Aumentato ☐

Invariato ☐

Diminuito ☐

3. Il capo del personale/gruppo R.U. partecipa al direttivo?

- ☐ Si  
☐ No

4. Se il capo del personale/gruppo R.U. non partecipa, chi si occupa di questioni di risorse umane nel direttivo?

5. Com'e' stato reclutato il direttore del personale (o equivalente)?

- ☐ Lavorava gia' nel reparto R.U. della nostra azienda  
☐ Lavorava gia' nella nostra azienda, ma non nel gruppo di R.U.  
☐ Lavorava quale specialista in R.U. al di fuori della nostra azienda  
☐ Lavorava al di fuori della nostra azienda, non in R.U.  
☐ Other:

## STRATEGIE E POLITICHE AZIENDALI

6. La vostra azienda ha delle politiche che riguardano le seguenti aree di R.U.?

	Sì, per iscritto	Sì, ma non per iscritto	No	Non so
Retribuzione e benefits	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reclutamento e Selezione	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Formazione e Sviluppo	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Comunicazione con i dipendenti	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Pari Opportunità/ diversità	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Flessibilità	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sviluppo Manageriale	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

7. Dove vengono determinate le seguenti politiche di R.U.?

	Headquarters/Quartier generali Finlandesi	A livello locale
Retribuzione e benefits	<input type="radio"/>	<input type="radio"/>
Reclutamento e Selezione	<input type="radio"/>	<input type="radio"/>
Formazione e Sviluppo	<input type="radio"/>	<input type="radio"/>
Relazioni Industriali	<input type="radio"/>	<input type="radio"/>
Espansione / Riduzione del Personale	<input type="radio"/>	<input type="radio"/>
Sviluppo Manageriale	<input type="radio"/>	<input type="radio"/>

8. Chi è maggiormente responsabile delle decisioni che si prendono in riguardo alle politiche d'azione nelle aree elencate a seguito:

	Dirigenti (Linea)	Dirigenti (Linea) con il supporto del dipartimento di R.U.	Dipartimento di R.U. con il supporto dei Dirigenti (Linea)	Dipartimento di R.U.
Retribuzione e benefits	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reclutamento e Selezione	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Formazione e Sviluppo	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Relazioni Industriali	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Espansione / Riduzione del Personale	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

9. Negli ultimi 3 anni, com'è cambiata la responsabilità dei dirigenti per le seguenti aree di R.U.?



	Aumentata	Invariata	Diminuita
Retribuzione e benefits	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reclutamento e Selezione	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Formazione e Sviluppo	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Relazioni Industriali	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Espansione / Riduzione del Personale	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## IL VOSTRO ORGANICO

### 1. Quali delle seguenti pratiche sono state introdotte nel reclutamento (o ritenzione) del personale:

- ☐ Reclutamento all'estero
- ☐ Formazione supplementare per il personale esistente
- ☐ Aumento di salario/benefits
- ☐ Marketing dell'immagine dell'azienda
- ☐ Other:

### 2. Sono stati usati alcuni dei metodi a seguito elencati per ridurre il numero del personale?

- ☐ Blocco delle assunzioni
- ☐ Pre-pensionamento
- ☐ Dimissioni volontarie
- ☐ Licenziamenti
- ☐ Ridistribuzione del personale
- ☐ Outplacement / Ricollocamento
- ☐ Mancato rinnovo di contratti a termine/contratti temporanei
- ☐ Outsourcing
- ☐ Other:

### 3. Come vengono coperte normalmente le posizioni manageriali?

	Dirigenti Senior	Dirigenti	Dirigenti Juniors
Internamente	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Agenzie di reclutamento / head hunters / consulenti	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Annunci su giornali	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Passaparola	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Altro	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**4. Indicate con che frequenza vengono usati i seguenti metodi di selezione:**

	Per ogni assunzione	Per la maggior parte delle assunzioni	Per alcune assunzioni	Per poche assunzioni	Non in uso
Commissione d'intervista	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Interviste individuali	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Modello di domanda	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Test psicoattitudinali	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Assessment Centres	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Grafologia	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Referenze	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Altro	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**5. Monitorate la proporzione delle seguenti categorie della forza lavoro, in relazione a reclutamento, formazione e/o promozione?**

	Reclutamento	Formazione	Promozione	Non so
Personale diversamente abile	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Donne	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Minoranze etniche	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**6. Nel processo di reclutamento vengono adottate misure per coinvolgere le seguenti categorie?**

- ☐ Disoccupati a lungo termine
- ☐ Anziani (di età superiore ai 50 anni)
- ☐ I diversamente abili
- ☐ Minoranze etniche
- ☐ Donne
- ☐ Neo-diplomati dalla scuola dell'obbligo
- ☐ Laureati
- ☐ Donne che si ri-immettono nel mercato del lavoro

## FLESSIBILITA'

### 7. Ci sono stati cambiamenti negli ultimi 3 anni nell'uso delle seguenti pratiche lavorative?

	Aumentato	Invariato	Diminuito	Non in uso
Lavoro nel fine settimana	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Turni	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Straordinario	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Contratti intermittenti/a chiamata/a monte ore	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lavoro part-time	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Contratti di lavoro ripartito	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Flexi-time	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lavoro temporale/ contingente	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lavoro da casa	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Teleworking	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sub-fornitura/ Outsourcing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

### 8. Indicate la proporzione approssimata dei vostri dipendenti che lavorano con i seguenti tipi di accordo



	Non usato	Meno del 1%	1 - 5 %	6 - 10 %	11 - 20 %	Piu del 20 %
Part-time	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Contratto Temporale/ contingente	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Contratto a termine	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Da casa	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Teleworking	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sub-fornitura/ Outsourcing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

### 8. Indicate la proporzione approssimata dei vostri dipendenti che lavorano con i seguenti tipi di accordo



	Non usato	Meno del 1%	1 - 5 %	6 - 10 %	11 - 20 %	Piu del 20 %
Part-time	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Contratto Temporale/ contingente	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Contratto a termine	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Da casa	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Teleworking	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Turni	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Contratto intermittente/a chiamata/a monte ore	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## 9. Ci sono stati grandi cambiamenti nelle job specifications negli ultimi 3 anni?

### Per i dirigenti

- ☐ Posizioni piu' dettagliate
- ☐ Cambiamenti non sostanziali
- ☐ Posizioni con piu' ampio spettro di responsabilita'/ con piu' flessibilita'
- ☐ Non so

### Per i quadri (staff tecnico-professionale)

- ☐ Posizioni piu' dettagliate
- ☐ Cambiamenti non sostanziali
- ☐ Posizioni con piu' ampio spettro di responsabilita'/ con piu' flessibilita'
- ☐ Non so

### Per gli impiegati (staff amministrativo)

- ☐ Posizioni piu' dettagliate
- ☐ Cambiamenti non sostanziali
- ☐ Posizioni con piu' ampio spettro di responsabilita'/ con piu' flessibilita'
- ☐ Non so

### Per gli operai

- ☐ Posizioni piu' dettagliate
- ☐ Cambiamenti non sostanziali
- ☐ Posizioni con piu' ampio spettro di responsabilita'/ con piu' flessibilita'
- ☐ Non so



## FORMAZIONE E SVILUPPO

1. Approssimativamente che proporzione (%) dei salari annuali viene spesa in formazione?

Rispondere con una cifra o Non so

2. Approssimativamente che percentuale dei vostri dipendenti ha partecipato a formazione interna o esterna nel corso di quest'anno?

Rispondere con una cifra o Non so

### 3. Quanti giorni di formazione all'anno ricevono in media:

**Dirigenti**

Rispondere con una cifra in giorni/anno/impiegato o Non so

**Quadri (Staff professionale/ tecnico)**

Rispondere con una cifra in giorni/anno/impiegato o Non so

**Impiegati (Staff amministrativo)**

Rispondere con una cifra in giorni/anno/impiegato o Non so

**Operai**

Rispondere con una cifra in giorni/anno/dipendente o Non so



**4. Analizzate sistematicamente il bisogno formativo dei dipendenti?**

Scegliere Sì , No o Non lo so

 ▼**4a. Se analizzate sistematicamente il fabbisogno formativo, con che frequenza usate i seguenti metodi?**

	Sempre	Spesso	A volte	Mai
Analisi dei piani di sviluppo aziendale/dei servizi	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Controllo/Revisione degli interventi formativi	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Su richiesta dei dirigenti	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
A seguito della valutazione della prestazione	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Su richiesta del personale	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**5. Monitorate l'efficacia degli interventi di formazione?** ▼**5a. Che criteri vengono utilizzati per valutare l'esito degli interventi di formazione?**

- ☐ Avenuto apprendimento (normalmente valutato tramite test finali)
- ☐ Comportamento (avvenuti cambiamenti nella prestazione)
- ☐ Risultati (cambiamenti nella performance aziendale)
- ☐ Reazione/Valutazione (es. Soddisfazione espressa dal personale)

**6. Fate uso regolare di qualcuna delle seguenti tecniche di R.U.?**

	Sì	No
Piani di carriera	<input type="radio"/>	<input type="radio"/>
Assessment Centres	<input type="radio"/>	<input type="radio"/>
Avvicendamenti programmati	<input type="radio"/>	<input type="radio"/>
Pianificazione di rotazione dei compiti (job-rotation)	<input type="radio"/>	<input type="radio"/>
Schemi "high fliers" (talenti rampanti) per dirigenti	<input type="radio"/>	<input type="radio"/>
Programmi di esperienza internazionale per dirigenti	<input type="radio"/>	<input type="radio"/>

## VALUTAZIONE

7. Adottate un sistema di valutazione per una o piu' delle seguenti categorie di lavoratori?

- ☐ Dirigenti
- ☐ Quadri (Staff professionale / tecnico)
- ☐ Impiegati (Staff amministrativo)
- ☐ Operai

8. Se fate uso di un sistema di valutazione, chi partecipa al processo valutativo?

(Una o piu' risposte sono ammissibili)

- ☐ Il Superiore diretto
- ☐ Il Superiore non-diretto
- ☐ Il dipendente stesso
- ☐ I Subordinati
- ☐ I Colleghi
- ☐ I Clienti
- ☐ Other:

9. Usate il sistema di valutazione per stabilire:

(Una o piu' risposte sono ammissibili)

- ☐ Fabbisogno formativo individuale
- ☐ Fabbisogno formativo aziendale
- ☐ Sviluppo del Potenziale
- ☐ Avanzamento di carriera
- ☐ Paga individualizzata basata sul rendimento
- ☐ Organizzazione del lavoro



## RETRIBUZIONE E BENEFITS

1. Come/Dove si determina il salario di base per le seguenti categorie?



	Dirigenti	Quadri (Staff professionale/tecnico)	Impiegati (Staff amministrativo)	Operai
Concertazione Collettiva a livello nazionale-industriale	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Concertazione collettiva a livello regionale	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
A livello dello stabilimento	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Individualmente	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

2. Negli ultimi tre anni, ci sono stati cambiamenti nella proporzione dell'uso delle seguenti pratiche?

(Una o piu' risposte sono ammissibili)

- ☐ Salario variabile
- ☐ Benefits non-monetari

### 3. Offrite uno o piu' degli incentivi sotto elencati alle seguenti categorie di lavoratori?

(Una o piu' risposte sono ammissibili)

#### Dirigenti

- ☐ Piani di azionariato dei dipendenti
- ☐ Compartecipazione agli utili (Profit sharing)
- ☐ Bonus legati ai risultati collettivi
- ☐ Bonus legati alla prestazione/ aumenti di merito

#### Quadri (Staff professionale / tecnico)



- ☐ Piani di azionariato dei dipendenti
- ☐ Compartecipazione agli utili (Profit sharing)
- ☐ Bonus legati a risultati collettivi
- ☐ Bonus legati alla prestazione/ aumenti di merito

#### Impiegati (Staff amministrativo)

- ☐ Piani di azionariato dei dipendenti
- ☐ Compartecipazione agli utili (Profit sharing)
- ☐ Bonus legati ai risultati collettivi
- ☐ Bonus legati alla prestazione/ aumenti di merito

#### Operai

- ☐ Piani di azionariato dei dipendenti
- ☐ Compartecipazione agli utili (Profit sharing)
- ☐ Bonus legati ai risultati collettivi
- ☐ Bonus legati alla prestazione/ aumenti di merito

### 4. Offrite uno o piu' dei seguenti schemi ai vostri dipendenti?

(Una o piu' risposte sono ammissibili)

- ☐ Asilo aziendale
- ☐ Contributi per i servizi all'infanzia, es. Bonus bebe', agevolazioni asilo nido/babysitter
- ☐ Congedo temporaneo non retribuito /Aspettativa
- ☐ Indennita' di maternita' aggiuntiva (rispetto a quella stabilita dalla legge)
- ☐ Indennita' di paternita' aggiuntiva (rispetto a quella stabilita dalla legge)
- ☐ Pensioni integrative (previdenza complementare)
- ☐ Aspettativa per studio /formazione

## RELAZIONI SINDACALI E COMUNICAZIONE

1. Quanti dipendenti sono membri di un sindacato?

- ☐ 0 %
- ☐ 1 - 10 %
- ☐ 11 - 25 %
- ☐ 26 - 50 %
- ☐ 51 - 75 %
- ☐ 76 - 100 %
- ☐ Non so

2. Negli ultimi tre anni, ci sono stati cambiamenti nell'influenza che i sindacati esercitano nella vostra azienda?

- ☐ Aumentata
- ☐ Invariata
- ☐ Diminuita
- ☐ Nessuna influenza

3. Ci sono comitati consultativi o Comitati d'Impresa nella vostra azienda?

- ☐ Sì
- ☐ No

4. Negli ultimi tre anni, ci sono stati cambiamenti nel modo in cui le questioni di grande rilevanza vengono comunicate ai dipendenti?

	Aumentato	Invariato	Diminuito	Non in uso
Attraverso rappresentanti dei lavoratori (es. Sindacati)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Verbalmente, direttamente ai lavoratori	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Per iscritto, direttamente ai lavoratori	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Per iscritto, direttamente ai lavoratori	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Per via elettronica/email	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Attraverso riunioni con gruppi di dipendenti	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## 5. Quali categorie di lavoratori vengono formalmente informate sulle questioni seguenti?

(Una o piu' risposte sono ammissibili)

### Dirigenti

- ☐ Strategia d'impresa
- ☐ Performance finanziaria
- ☐ Organizzazione del lavoro

### Quadri (Staff professionale/tecnico)

- ☐ Strategia d'impresa
- ☐ Performance finanziaria
- ☐ Organizzazione del lavoro

### Impiegati (Staff amministrativo)

- ☐ Strategia d'impresa
- ☐ Performance finanziaria
- ☐ Organizzazione del lavoro

### Operai

- ☐ Strategia d'impresa
- ☐ Performance finanziaria
- ☐ Organizzazione del lavoro

## 6. Negli ultimi tre anni, ci sono stati cambiamenti nei modi in cui i lavoratori comunicano le loro idee ai manager?

	Aumentato	Invariato	Diminuito	Non in uso
Direttamente ai senior manager	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Attraverso il superiore diretto	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Attraverso sindacati/comitati d'impresa	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Attraverso riunioni regolari con i lavoratori	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Attraverso sessioni informative di gruppo	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tramite programmi di raccolta di suggerimenti (suggestion schemes)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tramite la misurazione degli atteggiamenti/percezioni dei dipendenti	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## DETTAGLI DELLA VOSTRA IMPRESA

1. Indicate il vostro settore industriale

- ☐ Produzione/manifattura  
☐ Servizi

2. Quanti impiegati ci sono in totale?

2a. Quante sono donne?

2b. Quanti sono uomini?

3. Quanti dipendenti lavorano part-time?



3a. Quanti di questi sono donne?

3b. Quanti di questi sono uomini?

4. Quanti dipendenti lavorano per la vostra compagnia in Italia?

4a. Quanti dipendenti lavorano per la vostra compagnia globalmente (inclusi gli Headquarters finlandesi e altre filiali estere)?

5. Quanti dipendenti possono considerarsi 'espatriati' (con base lavorativa in un Paese non di appartenenza per piu' di 12 mesi)?

6. Quanti dipendenti finlandesi lavorano da 'espatriati' (per piu' di 12 mesi) presso di voi in Italia?

## APPENDIX 2b – The English Questionnaire

The questionnaire used in this study is **an adaptation** of this original English version of the CRANET questionnaire

### SECTION I: HRM ACTIVITY IN THE ORGANISATION

1. Approximately how many people are employed in the personnel/human resources (HR) department by your organisation?

Male \_\_\_\_\_ Female \_\_\_\_\_ ☐ No personnel/HR dept. (if no, go to question 3)

2. If you do have a personnel/HR department, does the head of the personnel/HR department have a place on the main Board of Directors or the equivalent?

1 ☐ Yes      0 ☐ No

3. From where was the most senior personnel or HR Director recruited? (Please tick only one).

- A. From within the personnel/HR department ☐ 1  
 B. From non- personnel/HR specialists in your organisation ☐ 2  
 C. From personnel/HR specialists outside of the organisation ☐ 3  
 D. From non- personnel/HR specialists outside of the organisation ☐ 4  
 E. Other, please specify \_\_\_\_\_

4. How has your use of external providers in the following areas changed over the last three years?

	Increased	Decreased	Same	External Providers Not used
A. Payroll	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
B. Pensions	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
C. Benefits	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
D. Training and development	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
E. Workforce outplacement/reduction	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
F. HR Information systems	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
G. Other, please specify _____	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4

5. Does your organisation have a:

	Yes, written	Yes, unwritten	No	Don't know
A. Mission statement	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
B. Business strategy	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
C. Personnel/HRM Strategy	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
D. Corporate values statement	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4

6. If your organisation has a business strategy, at what stage is the person responsible for personnel/HR involved in its development? (Tick only one)

- A. From the outset ☐ 1  
 B. Through subsequent consultation ☐ 2  
 C. On implementation ☐ 3  
 D. Not consulted ☐ 4



7. Who has primary responsibility for major policy decisions on the following issues?

	Line Mgt.	Line Mgt. in consultation with HR dept	HR dept in consultation with line mgt	HR dept
A. Pay and benefits	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
B. Recruitment and selection	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
C. Training and development	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
D. Industrial relations	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
E. Workforce expansion/reduction	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4

## SECTION II: STAFFING PRACTICES

1. How has the total number of employees (full time equivalents) in your organisation changed in the last three years?

- 1 ☐ Increased by \_\_\_\_% } If you tick boxes 1 or 2, please go to question 3  
 2 ☐ Same }  
 3 ☐ Decreased by \_\_\_\_%  
 4 ☐ Don't know

2. If the number of employees has decreased, have any of the following methods been used to reduce the number of people employed? (Tick all that apply)

	Yes	No	Don't know
A. Recruitment freeze	<input type="checkbox"/> 1	<input type="checkbox"/> 0	<input type="checkbox"/> 9
B. Early retirement	<input type="checkbox"/> 1	<input type="checkbox"/> 0	<input type="checkbox"/> 9
C. Voluntary redundancies	<input type="checkbox"/> 1	<input type="checkbox"/> 0	<input type="checkbox"/> 9
D. Compulsory redundancies	<input type="checkbox"/> 1	<input type="checkbox"/> 0	<input type="checkbox"/> 9
E. Internal transfer (redeployment)	<input type="checkbox"/> 1	<input type="checkbox"/> 0	<input type="checkbox"/> 9
F. No renewal of fixed term / temporary contracts	<input type="checkbox"/> 1	<input type="checkbox"/> 0	<input type="checkbox"/> 9
G. Outsourcing	<input type="checkbox"/> 1	<input type="checkbox"/> 0	<input type="checkbox"/> 9
H. Other, please specify _____			

2a If you have used outsourcing to reduce the number of employees in the last three years, by what percentage has outsourcing reduced your workforce?

0-5%	6-10%	11-20%	21-50%	>50%	N/A
<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 6

3. Please indicate how positions under each staff category are *most frequently* filled (Please tick only one option per staff category)

	Management	Professional/ Technical	Clerical	Manual
A. Internally	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1
B. Recruitment agencies/ consultancies	<input type="checkbox"/> 2	<input type="checkbox"/> 2	<input type="checkbox"/> 2	<input type="checkbox"/> 2
C. Advertisement	<input type="checkbox"/> 3	<input type="checkbox"/> 3	<input type="checkbox"/> 3	<input type="checkbox"/> 3
D. Word of Mouth	<input type="checkbox"/> 4	<input type="checkbox"/> 4	<input type="checkbox"/> 4	<input type="checkbox"/> 4
E. Vacancy page on company website	<input type="checkbox"/> 5	<input type="checkbox"/> 5	<input type="checkbox"/> 5	<input type="checkbox"/> 5
F. Vacancies on commercial job websites	<input type="checkbox"/> 6	<input type="checkbox"/> 6	<input type="checkbox"/> 6	<input type="checkbox"/> 6
G. Direct from educational institution	<input type="checkbox"/> 7	<input type="checkbox"/> 7	<input type="checkbox"/> 7	<input type="checkbox"/> 7
H. Other, please specify _____	<input type="checkbox"/> 8	<input type="checkbox"/> 8	<input type="checkbox"/> 8	<input type="checkbox"/> 8

4. Please indicate which of the following selection methods are used for each staff category (Please tick all that apply)

	Management	Technical	Professional/ Clerical	Manual
A. Interview panel	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1
B. One-to-one interviews	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1
C. Application forms	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1
D. Psychometric test	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1
E. Assessment centre	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1
F. Graphology	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1
G. References	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1
H. Other, please specify : _____	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1

5. Does your organisation have action programmes covering any of the following groups:

	Yes	No
A. Minority ethnics	<input type="checkbox"/> 1	<input type="checkbox"/> 0
B. Older workers (aged 50 plus)	<input type="checkbox"/> 1	<input type="checkbox"/> 0
C. People with disabilities	<input type="checkbox"/> 1	<input type="checkbox"/> 0
D. Women	<input type="checkbox"/> 1	<input type="checkbox"/> 0
E. Others, please specify _____		

6. Please indicate the approximate proportion of those employed by your organisation who are on the following working arrangements.

	Not used	0-5	6-10%	11-20%	21-50%	>50%
<b>A. Weekend Work</b> (working Saturday and/or Sunday)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 6
<b>B. Shift work</b> (working one of a set of consecutive periods into which a 24 hour working day is divided)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 6
<b>C. Overtime</b> (extra time beyond employees' normal time, added on to a day or shift)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 6
<b>D. Annual hours contract</b> (Agreement to work number of hours annually)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 6
<b>E. Part-time work</b> (hours of work defined as part-time by employer or legislation)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 6
<b>F. Job sharing</b> (dividing up one job between two or more employees)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 6
<b>G. Flexi-time</b> (some working hours may be determined by employees, around a fixed 'core' time)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 6
<b>H. Temporary/casual</b> (workers employed on a temporary basis for a number of hours, weeks or months).	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 6
<b>I. Fixed-term contracts</b> (workers employed for a fixed number of months or years)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 6
<b>J. Homebased work</b> (workers whose normal workplace is home but who do not have permanent electronic links to a fixed workplace)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 6
<b>K. Teleworking</b> (technology-based) (workers who can link electronically to a fixed workplace)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 6
<b>L. Compressed working week</b> (workers whose working week totals a standard number of hours compressed into a reduced number of shifts)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 6

## SECTION III: EMPLOYEE DEVELOPMENT

1. What proportion of the workforce is actually assessed via a regular formal appraisal system?

	Proportion	No Performance Appraisal System
A. Management	about ___%	<input type="checkbox"/> 0
B. Professional/Technical	about ___%	<input type="checkbox"/> 0
C. Clerical	about ___%	<input type="checkbox"/> 0
D. Manual	about ___%	<input type="checkbox"/> 0

2. If you have an appraisal system, who formally is expected to make an input/provide data for the appraisal process? (Tick all that apply)

	Yes	No
A. Immediate supervisor	<input type="checkbox"/> 1	<input type="checkbox"/> 0
B. Supervisor's superior	<input type="checkbox"/> 1	<input type="checkbox"/> 0
C. The employee himself/herself	<input type="checkbox"/> 1	<input type="checkbox"/> 0
D. Subordinates	<input type="checkbox"/> 1	<input type="checkbox"/> 0
E. Peers	<input type="checkbox"/> 1	<input type="checkbox"/> 0
F. Customers	<input type="checkbox"/> 1	<input type="checkbox"/> 0
G. Other, please specify		

3. Is the appraisal system used to inform any of the following? (Tick all that apply)

	Yes	No
A. HR planning	<input type="checkbox"/> 1	<input type="checkbox"/> 0
B. Analysis of training and development needs	<input type="checkbox"/> 1	<input type="checkbox"/> 0
C. Career	<input type="checkbox"/> 1	<input type="checkbox"/> 0
D. Pay determination	<input type="checkbox"/> 1	<input type="checkbox"/> 0
H. Organisation of work	<input type="checkbox"/> 1	<input type="checkbox"/> 0

4. Who has most influence over the following: (Tick only one for each option)

	The Individual	Line Managers	HR Department	Trade Union(s)
A. Defining training needs	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
B. Designing training activities	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
C. Implementing the training activities	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4

5. Approximately what proportion of the annual payroll costs is currently spent on training?

\_\_\_\_\_ %      1 ☐ don't know

6. Approximately what percentage of employees have received training (internal, external or both) within the last year?

Internal \_\_\_\_\_%      1 ☐ don't know  
 External \_\_\_\_\_%      1 ☐ don't know  
 Both \_\_\_\_\_%      1 ☐ don't know

7. How many days training per year does each employee in each staff category below receive on average?

A. Management	__ days per year per employee	Don't know <input type="checkbox"/> 1
B. Professional/technical	__ days per year per employee	<input type="checkbox"/> 1
C. Clerical	__ days per year per employee	<input type="checkbox"/> 1
D. Manual	__ days per year per employee	<input type="checkbox"/> 1

8a. To what extent do you use the following methods for managerial career development:

	Not at all	To a small extent	To a large extent	Entirely
a. Special tasks/projects to stimulate learning	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
b. Involvement in cross-organisational / disciplinary/functional tasks	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
c. Participation in project team work	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
d. Networking	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
e. Formal career plans	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
f. Assessment centres	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
g. Succession plans	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
h. Planned job rotation	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
i. "High flier" schemes	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
j. Experience schemes (internal movement to another department, whether in the same country or abroad)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
k. Secondments to other organisations (external movement to another organisation for a temporary period of time)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4

8b. To what extent do you use the following methods for non-managerial career development:

	Not at all	To a small extent	To a large extent	Entirely
a. Special tasks/projects to stimulate learning	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
b. Involvement in cross-organisational / disciplinary/functional tasks	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
c. Participation in project team work	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
d. Networking	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
e. Experience schemes	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4

## SECTION IV: COMPENSATION AND BENEFITS

1. At what level(s) is basic pay determined? (Please tick as many as are applicable for each category of staff).

	Management	Professional/ Technical	Clerical/ Administrative	Manual
A. National/industry-wide collective bargaining	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1
B. Regional collective bargaining	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1
C. Company/division, etc.	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1
D. Establishment/site	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1
E. Individual	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1
F. Other, please specify _____				

2. Do you offer any of the following: (Please tick as many as are applicable for each category of staff).

	Management	Professional/ Technical	Clerical/ Administrative	Manual
A. Employee share schemes	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1
B. Profit sharing	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1
C. Stock options	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1

3. Do you offer variable pay (pay that varies at intervals, eg. annually/monthly/weekly) based on the following (please tick all that apply)

	Management	Professional/ Technical	Clerical/ Administrative	Manual
A. Team/department performance	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1
B. Individual performance	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1
C. Company-wide performance	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1

## SECTION V: EMPLOYEE RELATIONS AND COMMUNICATION

1. What proportion of the total number of employees in your organisation are members of a trade union?  
 1 ☐ 0%      2 ☐ 1-10%      3 ☐ 11-25%      4 ☐ 26-50%  
 5 ☐ 51-75%      6 ☐ 76-100%      7 ☐ Don't know
  
2. Has the influence of trade unions on your organisation changed during the last three years?  
 1 ☐ Increased      2 ☐ Same      3 ☐ Decreased      4 ☐ No influence
  
3. Do you recognise trade unions for the purpose of collective bargaining?  
 1 ☐ Yes      0 ☐ No
  
4. Do you have a joint consultative committee or works council?  
 1 ☐ Yes      0 ☐ No
  
5. Has there been a change in how you communicate major issues to your employees during the last 3 years?  

	Increased	Same	Decreased	Not used
A. Through representative staff bodies (eg. Trade unions )	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
B. Verbally, direct to employees	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
C. Written, direct to employees	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
D. Electronic communication	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
E. Team briefings	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
F. Other, please specify _____				
  
6. Is your organisation a member of an employers' association?  
 1 ☐ Yes      2 ☐ No
  
7. If yes, to what extent do the services provided by the association meet your needs?  

Not at all	To a small extent	To a large extent	Entirely
<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
  
8. Which employee categories are formally briefed about the following issues? (Please tick as many as applicable).  

	Business Strategy	Financial Performance	Organisation of work
A. Management	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1
B. Professional/technical	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1
C. Clerical	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1
D. Manual	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1

## SECTION VI: ORGANISATIONAL DETAILS

**Approximately how many people are employed by your organisation?**

A. In total \_\_\_\_\_ Male \_\_\_\_\_ Female \_\_\_\_\_

B. Part-time \_\_\_\_\_ Male \_\_\_\_\_ Female \_\_\_\_\_

**Please give proportions for the following:**

A. Manual employees \_\_\_\_\_% of workforce ☐ 1 don't know

B. Clerical employees \_\_\_\_\_% of workforce ☐ 1 don't know

C. Professional/technical employees \_\_\_\_\_% of workforce ☐ 1 don't know

D. Managers \_\_\_\_\_% of workforce ☐ 1 don't know

TOTAL 100%

## APPENDIX 3 – Italian Covering Letter

*Covering Letter sent via email to explain the purpose of the study and elicit participation.*

Plymouth, 26 Gennaio 2013

Gentile Signora XXX/ Egregio Signor XXX

Sono la D.ssa Rossana Guttilla e da 10 anni sono titolare della cattedra di Gestione delle Risorse Umane Internazionali e Compareate all'Università di Plymouth, Regno Unito.

Mi scuso per il 'cold calling', ma volevo chiedere il Suo aiuto per un progetto di ricerca al quale sto lavorando. Esso prevede uno studio conoscitivo (ed anonimo!) delle politiche di gestione delle risorse umane adottate da imprese finlandesi in Italia. La camera di commercio Finlandese mi ha fornito la lista delle loro multinazionali che operano in territorio italiano e l'Università di Plymouth finanzia la ricerca. Italia e Finlandia sono rappresentative di una 'partnership' un po' particolare, giacché appartengono a gruppi culturali e istituzionali molto diversi, ciò che conferisce allo studio un grande valore, per la sua capacità di arricchire - con nuovi spunti - la letteratura accademica contemporanea. Vorrei ancora enfatizzare che si tratta di **uno studio condotto esclusivamente ai fini accademici**.

La Vostra sarebbe una delle imprese studiate, ma non l'unica. Ci sono più di 20 multinazionali finlandesi che hanno almeno una filiale in Italia e spero di poterne coinvolgere un buon numero. La Vostra partecipazione consiste nel rispondere ad un questionario, telefonicamente o on-line al seguente link: [https://docs.google.com/forms/d/13etU9dTT1IMB3gPQg\\_lxYK\\_O8oZYsCeW26vuFugretI/viewform?sid=1f5f03e96d3fa2c8&token=zy95pj0BAAA.F87QGc2ts\\_xEkmMzhNcOOA.wtdy8nlworPFSocN4XPYvw](https://docs.google.com/forms/d/13etU9dTT1IMB3gPQg_lxYK_O8oZYsCeW26vuFugretI/viewform?sid=1f5f03e96d3fa2c8&token=zy95pj0BAAA.F87QGc2ts_xEkmMzhNcOOA.wtdy8nlworPFSocN4XPYvw)

Qui verranno analizzate - tramite semplici risposte a scelta multipla - alcune delle Vostre pratiche e politiche di gestione delle risorse umane. Il tutto dovrebbe richiedere circa **6 minuti**. **I dati raccolti rimarranno anonimi** (il questionario non prevede una voce che consente di ricollegare le risposte ai rispondenti) e saranno trattati in conformità con la legge sulla privacy.

**Ogni partecipante sarà ricompensato/a con un buono amazon del valore di 15 Euro e potrà prendere parte al sorteggio di un Kindle Fire.** I partecipanti che decideranno di completare il questionario on-line, per richiedere il loro buono dovranno mandarmi una mail (Rossana.Guttilla@plymouth.ac.uk) per avvisarmi dell'avvenuto completamento del questionario. Coloro che lo richiedessero, potranno **ricevere in anteprima un'ampia sintesi dei risultati**, il che Le consentirà di confrontarsi con l'insieme del mondo delle Risorse Umane.

Conosco bene l'area risorse umane e so che si è sempre molto impegnati, ma spero che l'interesse verso lo sviluppo della conoscenza nel settore La spinga a considerare positivamente la mia richiesta. La Sua partecipazione sarebbe molto utile e gradita.

Rimango a Vostra disposizione per qualsiasi altro chiarimento.

Cordiali saluti,

**Rossana Guttilla**

**HR &  
LEADERSHIP  
WITH  
PLYMOUTH  
UNIVERSITY**

*Lecturer in HR Studies – Module Leader for International and Comparative  
HRM (UG & PG)*

Cookworthy Building - Drake Circus  
Plymouth - Devon PL4 8AA - United Kingdom  
Telephone: int +441752 585685 Fax: int +441752 585633  
Web: [Plymouth Business School](http://Plymouth Business School)



## APPENDIX 4 – Case Study Protocol

### The Case Study Protocol

Following Yin (2003) recommendation, a case study protocol has been prepared and followed by the author. The protocol addressed the following points:

- **Overview of the study project** (objectives, issues, readings, literature & research)  
Main objective: analyse whether a country-of-origin effect can be found in Finnish MNCs operating in Italy and understand the factors that favour/impede the existence of the country-of-origin effect. Add to the convergence debate, any evidence of final/directional convergence versus HPWPs?
- **Field procedures** (access to field sites, sources of information)  
List of all Finnish MNCs operating in Italy provided by the Finnish Chamber of Commerce. Initial investigation of all companies' websites and history to make sure that only MNCs 'born and grown-up' in Finland were selected.  
A database with the names of the local HR managers was created, all were sent a presentation email and were called soon afterwards. A number of telephone calls was required before the HR managers agreed to participate to the study. After filling out the questionnaire, they were all asked whether they would participate to a phase 2 of the study and 4 agreed to be interviewed.  
The first round of telephone interviews took place between April and June 2013, the researcher was also given access to some company documentation.  
The second round of interviews (2) took place in September 2014, please note that one interviewee than used his right to withdraw and only an anonymous general statement about his views can be provided.  
Notes stored in dedicated folder and NVivo. Memos and personal notes also in same folder and NVivo memos.
- **Case study questions posed to INVESTIGATORS; key classifications; suggestions for likely sources of evidence** (not the literal questions to be asked)

Ask about the history of the company and role of the Italian unit.

Ask Questioned aimed at triangulating the survey findings and clarifying unexpected survey results.

Enquire why certain HR practices are preferred over other.

Understand the relationship between HQs and subsidiary.

Pose a question for each of the HR areas identified in the literature as strongly embedded in the PC's institutional and cultural background.

In the interviews and when studying company documentation, look for:

Triangulating the survey findings, understand WHY some PC's practices are adopted while others aren't. Enquire about the relationship with the HQs and the effect of this relationship on HRM policies and practices.

In the interviews with the HQs HR managers, once again triangulate findings from survey and first case study results and try to gain a HQs' perspective on WHY some PC's practices are adopted while others aren't. Also enquire about the relationship with the subsidiary and the effect of this relationship on HRM policies and practices.

## ▪ A guide for the case study analysis/report

As suggested by researchers on Methodology (Miles and Huberman, 1994), I will start by carrying out a 'within case' analysis, followed by a cross-case analysis.

Analytic methods used:

- affixing codes to notes drawn from interviews;
- note reflections in the margins
- sorting/identifying phrases, patterns, themes
- (these taken out in next phase of data collection)
- elaborate a small set of generalisations that cover the identified consistencies
- confront with body of knowledge in the form of theories (p.9)

Proceed from describing to explaining. From a closer analysis of the data, new themes will be identified and supported with evidence. Follow a thematic analysis approach (see chapter 3). Carry out a narrative analysis, if applicable. Finally drawing from emerging themes, move to the 'theorisation' stage.

Hence: data condensation/reduction → data display (graphs, matrices) →  
Conclusions/verification

Follow the dissertation format, present data in a clear way. Think of audience. Make sure rigor of the study is discussed (see chapter 3).

(see also AUDIT TRAIL, appendix 6).

## APPENDIX 5 a – Interview Guide- Italian

### The interviews asked during the interviews

Intervista con \_\_\_\_\_ - \_\_\_\_\_ Italy / \_\_\_\_\_ minuti

#### Nota Etica!

- 1) Potrebbe fornirmi qualche cenno storico sulla (compagnia) filiale italiana?
  - a. Fondazione/eta'
  - b. Acquisizione o greenfield site
  - c. Num di dipendenti
  - d. Funzione e ruolo
  - e. Tecnologia
- 2) Potrebbe spiegarmi qual'e' il ruolo della casa madre finlandese nella determinazione delle politiche di RU, quali :
  - a. R&S
  - b. Paga e benefits
  - c. Formazione e sviluppo
  - d. Riduzione/espansione della forza lavoro
  - e. Sviluppo Manageriale
  - f. Relazioni Industriali
  - g. Flessibilita'
- 3) In generale, come definirebbe l'influenza di casa madre nelle politiche di RU?
- 4) N/A
- 5) Chi si occupa di valutare la performance del personale italiano? C'e' una partecipazione dei lavoratori? (Perche'?) / Da dove provengono le guidelines sull'uso della flessibilita' in azienda?
- 6) Mi potrebbe descrivere la relazione tra filiale e casa madre? Avvengono degli scambi di conoscenza, importazione di 'know-how' tra casa madre e filiale? Ci sono dei problemi particolari che si riflettono nella GRU?
- 7) Crede che ci siano dei tratti prevalentemente 'finlandesi' nella GRU della vostra filiale Italiana?
- 8) Ci sono tratti della GRU italiana che sono stati importati dalla casa madre?
- 9) Vuole aggiungere altro?

## **APPENDIX 5 b – Interview Guide English**

1. The first question was an ice-breaker question, where respondents were asked to briefly describe the Italian subsidiary and give some historical information (including when and how it was established; its technology; its role (strategic?) within the company).
2. The second question had the aim of cross-checking and exploring what is the role of the HQs in the determination of HR policies and practices, with particular emphasis on R&S; T&D; remuneration; downsizing or expanding the workforce; management development; flexibility and IR.
3. The third question asked respondents to describe the influence of the HQs in establishing HR policies and practices in Italy. This is a probing question to verify some of the answers given to the previous question; but also aims at eliciting the respondent views and perceptions of the role of the HQs.
4. The fourth question arose from the survey findings and was aimed at inquiring why HR managers do not sit in the board. Unfortunately, none of the organisations that took part in the interviews had a local HR department, hence the question was not asked.
5. The fifth question also arose from the survey findings and participants were asked to clarify policies and practices with regards to a) the appraisal system and explain why they involved the employee in the process; and b) flexible working arrangements (as to check whether these were established by HQs and why).
6. The sixth question asked the respondents to describe the relationship between HQs and subsidiary and identify any issues (cultural, institutional or other) that might affect the way HR was carried out in Italy.
7. The seventh question asked respondents to identify any ‘Finnish’ traits (if any) in the HRM of their subsidiary.
8. The eighth question investigated whether the HQs had ‘imported’ any traits of Italian HRM.
9. Finally, the last question asked respondents if they wanted to freely add anything.

## APPENDIX 5 c – Interview Guide English – Phase 2

### QUESTIONS FOR HR MANAGERS AT THE HEADQUARTERS (HQs)

1. What is the role of the Italian subsidiary in your company? Is it strategic (e.g. do you undertake any research and development activities there? Or is it mainly a sales point/customer service/manufacturing plant)? Could you please explain?
2. Could you please indicate for each of the following HR policies what activities are carried out in the Headquarters? What activities in the local subsidiary? What activities elsewhere; e.g. regional office? (Who is responsible for the establishing the HR policies and for the implementation of the HR practices).

HR area	HQs	Local managers	Other
R&S *			
T&D			
Pay and Benefits			
Performance Appraisal **			
FWAs ***			
ER and Communication ****			

\*What was the process of/methods used for selecting Italian employees?

\*\* Do you use the same appraisal systems used in Finland? Are employees involved? Why?

\*\*\* Who is responsible for establishing guidelines on the use of work flexibility (e.g. part-time work, job-sharing, shift-working etc.) in Italy? Or do you use Finnish guidelines?

\*\*\*\* Did you find that the communication mechanisms with employees used in Italy are different from the ones used in Finland? E.g. How do you communicate organisational strategy, financial performance and work organisation in Finland? Is this different in Italy? Why?

3. On the whole, how would you define the influence of the HQs on the HR policies and practices of your Italian subsidiary? How do you try to balance the pressure for local adaptation (towards your subsidiaries' HR management style) versus the pressure towards a cross-national integration of HR policies and practices?

4. Have you exported any Finnish 'HR best practices' to Italy? If so, which ones? Or have you imported any Italian HR policies or practices into the HQs? If so, could you give some details?

5. Could you describe the relationship between the HQs and the Italian subsidiary? (e.g. what are the lines of reporting? Who is responsible for controlling the operations? What is the level of information and knowledge exchange)
6. Any problems (cultural/institutional or other) between Finland and Italy which affect the relationship between the HQs and the Italian subsidiary? Do you feel that you had to adapt your HR strategy because of the different cultural and institutional setting of the Italian subsidiaries? Any examples?
7. How would you describe the level of trust between HQs and Italian subsidiary? Does it pose a problem?
8. Compared to your other subsidiaries, do you experience different (or more or less) HR problems in Italy? If so, could you give a few examples?
9. If you transfer HR policies and practices from Finland into Italy and/or vice-versa, what are your most commonly used transfer mechanisms (e.g. visit each other's countries/ management development to create common culture/training courses for all employees/ use of expatriates/ mission and vision statements)
10. Do you have any initiatives in place to create a common corporate culture across borders? If so, could you give examples?

## APPENDIX 6 – Audit Trail

### The research audit trail (following Carcary, 2009)

1. **Identification of the research problem:** Following the researcher's interest in International and Comparative HRM, an initial literature review was carried out to understand what happens to country-of-origin HR policies and practices when a MNC operates in subsidiaries in different countries. The cultural and institutional heritage of the MNC will be moderated/ annihilated by the local context or by strategic considerations or...? This was the key question addressed in the current study.
2. **The research proposal:** Based on this research problem, a proposal was drawn up and submitted to the chosen research supervisor in the first place and then to the institution's research committee for approval. The initial proposal included an outline of the study, its aims and objectives, and the research questions.
3. **Reviewing the literature:** An in-depth review of the country-of-origin literature was undertaken. This is presented in chapters 1 and 2.
4. **Designing a research framework:** The next step involved designing a research framework to support the collection of empirical evidence. Following evidence from both the literature review and the secondary analysis, a number of research propositions were advanced. Methodological considerations led to the choice of an interpretivist paradigm and to the choice of two research instruments: a questionnaire to be administered via telephone or online survey, followed by 4 mini case studies (composed of interviews and company documentation).
5. **The survey schedule:** The surveys took place in the first trimester of 2013 and questionnaires were sent to all the Finnish subsidiaries in the Italian territory (17 in 2013) and 71% of these (12) responded. The questionnaire used was a slightly adapted and translated (verified and back-translated by another researcher) version of the CRANET questionnaire, which is a tried and tested instrument, often used in comparative cross-country analysis of HRM systems.
6. **Selection of case studies:** In order to achieve breadth and depth of coverage across the research issues, four subsidiaries were chosen as case study sites. The informants selected were directly responsible for (and hence had in-depth knowledge of) the HR policies and practices used locally in the subsidiary, 3 were from the HC and 3 from the HQs. Four respondents were interviewed in the first stage of the research, while 2 interviews were carried out later.
7. **Evidence collection:** In total, 12 valid questionnaires were collected and six semi-structured interviews were conducted with 3 local managers responsible for HR in the subsidiary and 3 global HR managers. These were carried out over the telephone in April to June 2013 and in September 2014, and lasted between 45 and 80 minutes for local managers and 25 to 40 for global HR managers, accurate notes were taken. These notes were read back to/were verified by informants. The interview notes, as well as company documentation, annual reports, internal communications and memos, press releases, newspaper articles and website details were used in the data analysis.  
Due to a restructuring of the present study, the two interviews that took place in September 2014 were added as to include the HQs' perspective to the areas previously analysed.
8. **Managing and analysing the empirical evidence:** An interpretivist approach, based on previously formulated research propositions was used to analyse the empirical data. N-vivo software was useful in managing the body of evidence.

Through within and cross-case comparison, several ideas/points emerged these were coded into key concepts, NVivo was especially useful in coding evidence to respective notes. Through reflection on these concepts and iterative interaction with the evidence, these were later conceptualised into higher order categories and related sub-categories, manual mind-maps/graphs were preferred for doing this.

As suggested by researchers on Methodology (Miles and Huberman, 1994), I will start by carrying out a 'within case' analysis, followed by a cross-case analysis.

- a. Analytic methods used:
- b. -affixing codes to notes drawn from interviews;
- c. -note reflections in the margins
- d. -sorting/identifying phrases, patterns, themes
- e. - (these taken out in next phase of data collection)
- f. - elaborate a small set of generalisations that cover the identified consistencies
- g. - confront with body of knowledge in the form of theories (p.9)

Proceed from describing to explaining. From a closer analysis of the data, new themes will be identified and supported with evidence. Follow a thematic analysis approach (see chapter 3). Finally drawing from emerging themes, move to the 'theorisation' stage.

Hence: data condensation/reduction → data display (graphs, matrices) → Conclusions/verification

9. ***Adopting a narrative approach:*** The higher order categories and sub-categories were the basis for developing a cross-case primary narrative. This narrative was substantiated by reference to informant statements. Through extended reflection on the two narrative emerged in the analysis, the local managers' perspective and the HQs' perspective. This process expanded my interpretation of the evidence over a series of stages.
10. ***Identifying the 'fit' with/ Adding to existing Theory:*** Through re-trawling the higher order narrative and reflecting on the findings separately and on the findings as a whole, relationships between the key findings were further explored. Through this process the study's theoretical conjecture was distilled. This involved iterative reflection on the relationships and theory refinement. These contributions added to the extant body of International and Comparative HRM and in particular in the area of 'country-of-origin effect' and to the Convergence/divergence debate.



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